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FEBRUARY

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Edward Rogers

The Forgotten Man
John H. Nash

Teles bring People and Progress
Cyber Tormentor

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- 1 • WHAT is this "American System" we hear so much about?
ANSWER ON PAGE 15
- 2 • IF Italy, Germany and Russia can fix prices by government order, why can't we do it here? ON PAGE 17
- 3 • IS Congress still a workable mechanism for producing national legislation? How does the present Congress compare with those that have gone before? ON PAGE 18
- 4 • IS the present effort to reorganize the government likely to get any further than previous similar efforts? ON PAGE 21
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NATION'S BUSINESS • CHAMBER OF COMMERCE OF THE UNITED STATES

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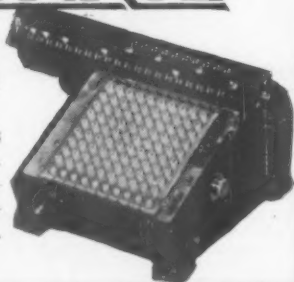


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Through the EDITOR'S SPECS

Economics and human nature

WE all want a better world. To bring it about we set up a national economic plan. It goes wrong. We blame "the opposition of the reactionaries," for its failure when the real cause is simply the variables of human nature. Food for one, in many a plan, is poison for another. Sauce for producer is seldom sauce for consumer. That is why plans are more feasible on paper than in practice.

These observations are inspired by the troubles of the International Rubber Committee, successor to the ill-starred Stevenson plan, which, readers will recall, attempted to peg rubber at \$1 a pound.

Producers and consumers are included in the membership. Quarterly the committee looks into the rubber market and establishes an export quota based on a pre-determined production figure. What is happening? Despite two recent liberalizations of allowable exports—75 per cent of the base production for the first quarter of 1937, and 80 per cent for the second quarter—the satisfaction of consumers' requirements is problematical. No easy matter for producers to bring supply into quick accord with demand. A sharp demand finds stocks low and prices rise to the obvious gain of producers. But that is not the whole story. Should satisfaction come to one side of the equation and not to the other, the whole control plan blows up.

Brought down to fundamentals, it is simply a picture of the conflicting and persistent self-interest of buyer and seller. Their divergent viewpoints are best composed in orderly fashion through commodity exchanges, in the market place. Trying to rule Dame Nature as well as her unruly child, Human Nature, by the statistical precisions of a long-term national program, implies the underwriting of certainty in a world which underscores change as the only certainty.

A tangled web

WASHINGTON is watching to see which wins out in attaining a new high in public confusion, the Walsh-

Healey or the Robinson-Patman Acts.

The question of wages and hours involved in submitting bids via the Walsh-Healey route is already something of a headache to Government as well as industry.

The Labor Department complains that the Navy's requirement of 2,635,000 pounds of copper and 171,000 barrels of fuel oil stirred up questions rather than bids. And bids for steel machine tools and foodstuffs were conspicuous by the concern of suppliers to know where they stood with regard to the Act. "Boycott" is too harsh an explanation for the lack of bids; the situation is realistic enough to call for an intensive exposition of the administrative state of mind, as well, perhaps, as broader distribution of bid invitations.

The "administrative problems of unusual difficulty," noted in the Labor Department's progress report, are indeed formidable. The Act itself includes a proviso which the Secretary may invoke. By the authority to make exceptions when "justice or public interest will be served thereby" the rigid mold of the law can be suited to occasion and emergency. But, here again administrative success will depend as much upon the spirit as upon the letter of interpretation, because the power lodged in an appointed official to discriminate between citizens carries with it one of the gravest responsibilities in our modern departure from government by law.

Competition for ears

WANTED: A banker who is a good demagogue. Apply to the editor of the *Toronto Financial Post*.

But, as our esteemed Canadian colleague says, if bankers were good demagogues, they would be poor bankers.

The editor of the *Financial Post* was thinking of the presidential address of S. H. Logan, head of the Canadian Bankers' Association, when he wondered whether its appeal to business men would be matched by its interest to the "average farmer, the average worker," and he feared that "few of them will even attempt to



At 55 He Had Earned \$130,000— But Now He's THE MAN NOBODY WANTS



You may have seen such men come into your own office—timid from being turned down so often. If you knew their life stories, you'd discover something worth thinking about. For many of these men have made a lot of money in their day.

Think of the men in their twenties whom you know—making from \$900 to \$2,000 a year—many of them. From 30 to 55, salaries of four or five thousand are not uncommon. Let's say that many a man earns at least \$130,000 by the time he's 55. Yet how many have anything left to show

for it? Worth thinking about— isn't it? You hope to make a lot of money before you're 55. Will you lose it—spend it—be **THE MAN NOBODY WANTS**?

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read it and still fewer will complete the reading if they start it."

The indicated problem is not unknown in our own fair and native land. Everywhere the business community has an increasing concern about public relations. Monetary medicine men and critics of banking practice not only know how to get the ear of the man on the street, but, more to their point, they know how to talk to him in his own language. Whether their technique is art or gift, the business community faces the persistent necessity for telling its own story so simply that no interpreter is required between spokesman and people.

The difficulty lies in suiting eloquence to the need. It is a sizable problem. Its very existence should serve as patriotic incentive for solution. As long as the public understands the rabble-rousers—or thinks it does—every practitioner of business will derive only cold comfort from the feeling that he does not talk on their wave lengths. Contriving self-compliment will not do the job; nor complaining. Competition for the ears, the minds, the hearts of the people would be more businesslike and effective.

Centennial of an idea

THIS year the country in both its agricultural and national sense is celebrating the centennial of the plow which John Deere wrought in 1837. In his native Vermont he had a local reputation as blacksmith and mechanic. At 33 he yielded to the magnetic pull of the West. To Illinois he traveled and took root in Grand Detour. His fortune amounted to \$73 when he set up shop there.

As he shod the horses and oxen of the settlers he heard on all sides the same complaint. In substance it was:

"We've got the richest land in the world. It'll produce 60 bushels of corn to the acre, but after the first crop there's no plow on earth that will scour in this heavy, sticky prairie soil."

That talk set Deere to thinking. Clearly the settlers required a plow that would shed the gluey earth and clean itself. While repairing a shaft in the town's sawmill he saw a discarded saw blade. The sight gave him an idea. There was his material. Heated in his forge and shaped on his anvil, the castoff metal became a new and serviceable implement of husbandry. Wrought iron for the land-side, white oak for the beams and handles.

Then to the waxy earth for private test. Much was right, some was wrong. Errors of design were corrected. Neighboring farmers gather-

ed to witness proof of the plow's workability. What they saw convinced them that Deere had solved their problem.

Soon the little shop was overwhelmed with demand. In 1847 Deere moved his business to Moline. That year he turned out 700 plows. When he died in 1886 he had seen a pioneer agricultural area become populous and productive. He had seen a business which started in a small blacksmith shop grow into one of the greatest enterprises of its kind in the world. Today the organization he founded is the second largest farm machinery manufacturer in the world; operates 11 factories and 55 branches; has plant investments of some \$37,500,000; employs approximately 16,000 workers and supplies vast numbers of farmers in all parts of the world. Where the light of the spirit burned so brightly, there is praise and pertinence in invoking the Biblical exclamation, "How great a matter a little fire kindleth!"

Pressure or prudence?

STOCKHOLDERS who waited so long for dividends that time seemed ended and eternity begun may well rejoice in the lush distribution of earnings which brightened the end of the year. Where patience has been so handsomely rewarded, the question whether these dividends were inspired by earnings or the 1936 tax law penalizing the retention of profits for reserve and surplus may seem only sourly academic.

Looking at the tide of checks on their way to expectant stockholders, market analysts might be tempted to conclude that a seasonable liberalism had ruled directors' decisions. If business was pleasantly dazzled with the golden torrent, it retained enough realism to ask whether the deluge of declarations reflected confidence in stock prices or in stock values. Excepting the professional interest, there is little knowingness to discern the difference between "hothouse" handouts and disbursements of companies with their financial thews and sinews in the pink of condition.

Directors' decisions to keep dividends in line with the position of their companies or to pass out a larger proportion of profits than seems justified must be influenced by the pressure tax. If stockholders do not get the money, Government will. Arguing that it can be retained in the company's treasury through issuance of a taxable dividend on stock or bonds offers a solution of degree rather than of kind. Where the size of dividends seems to put prudence in question, the fact that the tax law operates to force the hand of man-



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Important to whom?

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But to that smaller group of men who are the executives, and coming executives, in American business this message will be of utmost importance.

The next five years, even though they be years of prosperity, will prove a more severe test of personal and executive competence than any similar period in the past. Men who want to win financial independence must meet a new set of requirements. There

will be none of the indiscriminate, get-rich-quick prosperity of the last boom. A higher order of business knowledge, executive training, and understanding of the new rules of industry will be the price of better-than-average income.

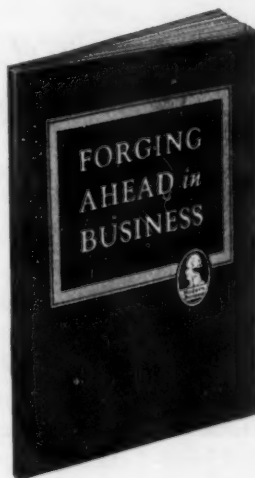
The Alexander Hamilton Institute is ready to prepare you for the test of ability and training which lies ahead. In each new business cycle during the past twenty-seven years, the Institute has developed and remodeled its Course and Service to meet the special needs of the day. Thousands of men have trained for executive responsibility and financial independence under the Institute's guidance.

Now again, the Institute, keeping abreast of American business developments, offers a NEW PLAN for executives and for those who will be executives—a plan to meet the new conditions—to fit more exactly your personal requirements for growth and progress.

For Men Who Set No Limit on Their Futures This Free Book Tells a Vital Story

IN this new plan of executive business training, the Institute offers you the ideas, experience, and judgment of the most successful business men in America, formulated and organized to put at your command the proved principles and methods of modern business.

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Watson, President, International Business Machines Corp.; David Sarnoff, President, Radio Corporation of America.

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nurtured in patience and watchfulness, they will reach their growth as their predecessors have done. New methods, new industries, new ways of living, will accompany them into the world.

Research is the lifeblood of progress. The fact that such concerns as Westinghouse are willing and able to invest heavily in the future is one of America's most important social and economic assets.



Westinghouse

The name that means everything in electricity

agement to debatable generosity constitutes a premium on action as well as a problem of public interest.

Business always fair game

WHEN the legislative bombardment becomes general, no business man is immune. High visibility of the "big fellows" makes them easy targets. But small manufacturers with retail affiliations and department stores with manufacturing connections see themselves in the line of fire under Representative Patman's new bill. So do oil and tire manufacturers with their own outlets, automobile makers with branch agencies, mail order houses and chain stores which control factories turning out specialties for them. If they are outside the range of the price law now in effect, will they come within range of the new bill?

Will large-scale retailers be forestalled from producing their own goods as has been widely predicted? It takes no prophet to forecast a spread of the legislative blanket which would regard the exhibition of a motion picture as a retail sale involving all the intricacies of the "block booking" methods of the film producers.

There is no doubt about the direction future legislation will take in the field of distribution; there is no doubt that there will be more and more of it. All signs indicate that the new Congress will continue where the old left off regulating the business of making and selling goods to the American people.

Sentiments from the soil

FIRST necessity to farm well, wrote Sydney Smith in 1818, is to be rich. Easy as it is to contest that conclusion, there is abundant evidence that the farmer of today expects his compact with the soil to prove more than a sentimental commitment of his means.

The practice of agriculture has a distinctive philosophy as the report of a National Grange committee demonstrates.

According to this report, the farmer asks no odds, no subsidies, no constitutional tinkering that would weaken local self-government. He looks quizzically at corporative farming, is troubled about importations of foreign produce, would welcome a "parity price" for what he raises. His top ambition is to "make agriculture a gainful occupation instead of just a way of living." How that state of affairs is to be won and kept is the issue, for its desirability is not in question. The Grange's assurance that the American farm folk consti-

tute a serviceable reservoir of common sense is occasion for heartily felicitating them and the country of which they are so fundamentally a part.

The "x" in R

DEPRESSIONS may reduce production of everything else, but they certainly increase the growth of one crop that nobody has learned to plow under. That is the crop of plans guaranteed to cure economic ills. The harder the times, the lusher the growth of these proposals. And most of them have their roots in some scheme to regulate business.

Commercial organizations and trade associations in the past few years have kept their facilities continually on the stretch to keep abreast of the orders and acts affecting the business of their members.

For example, one of them, the Merchants Association of New York, reports that, in one year, its various bureaus received 120,000 queries and problems, most of them based on new relationships or competitions with government.

Certainly no group finds itself facing more ominous question marks than does the business community. Everywhere it turns, it faces refinements of regulation and new styles in public competition.

Thrift with a German accent

WHAT may be done through the chemical decomposition of wood defines a new kind of thrift. At a meeting of the International Committee on Wood, in London, this conservation of natural resources was expounded with a strong German accent. Dr. Friedrich Bergius of Heidelberg University told his colleagues that the increased chemical utilization of wood promises a great timber consumption which will absorb the large wastage hitherto involved in the conversion of wood into cellulose—as much as 40 or 50 per cent.

In Germany they look forward to the time when that country may enjoy economic independence in respect to foods by drawing on the everlasting forests. In olden times, the wild swine of the European forests fattened on the abundant mast. In the times to come they will "graze" on the trees themselves, after certain chemical treatment. Professor Bergius declared that he had demonstrated that as much food "can be grown on one acre of woodland as you could grow on one acre of plowed land," and that with less labor and better results in foodstuffs.

Using wood as a crop is a fascinating idea.

PAINT

"It Beats, As It Sweeps, As It Cleans"—in the modern, streamlined manner.



Time was when the family's new electric cleaner afforded much pop-eyed awe to children who threw bits of paper and lint within reach of suction's invisible, snatching fingers. Familiarity and sophistication may have spoiled this sport for today's youngsters, but there is no doubt that the Hoover Company with its "150" cleaner is now making mother and father, at least, snap to attention.

No mere "improved model" is this new Hoover; no compromise with anything done in the past. From the word, "Go," noted industrial designer Henry Dreyfuss and the 136 Hoover engineers enjoyed complete freedom in its creation. Result: a machine with 250 of its 360 parts brand new in design, many even in material; a household appliance endowed with modern functional beauty; a vacuum cleaner that does its job almost at command.

Principal new material used is magnesium, the "airplane metal," equal to aluminum in strength; one-third less in weight. Modern plastics, as well, have a big hand in the beauty and practicality of this unusually light-weight housekeeper. So, also, has modern paint. Thanks to Sherwin-Williams Kem Enamel in a striking new "stratosphere gray" color—the Hoover's main body and other outside parts are scratch- and mar-proof.

Incidentally, finishing 5000 Hoover Cleaners perfectly per day was something of a problem which was quickly solved by The Sherwin-Williams engineering staff plus, of course, Kem Finishes which can be sprayed and baked as well as brushed and air-dried.

Whatever you make, if it must be painted, The Sherwin-Williams Company will gladly show you how the painting may be done quicker, better and more economically. Just write us at Cleveland, Ohio or any principal city.

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*It's always
good going on
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And because every Goodyear is built to protect our good name, you get this triple protection in any Goodyear Tire regardless of price. Remember, experience proves that the *cheapest thing on your car is the best tires you can buy*—and that means Goodyears, for twenty-one consecutive years the world's first choice.

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GOOD YEAR

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One early example was Goodyear's invention of the *Straight Side Quick-Demountable Tire* in 1906—the first tire that could be easily changed on the road—a great step forward in popularizing the automobile.



March With Business to Better Times!

A CORRESPONDENT WRITES:

... your message on a local billboard, "March With Business to Better Times." It sounds good, but I'm from Missouri. . . . Recent events indicate a lack of confidence in business. . . . Why should anybody march with business?

Unhappily our correspondent's point of view prevails, that business is an evil thing, that if any marching is to be done, it should be against and not with business.

Why is the public so ready to accept the implications of soap-boxer and demagogue, that the aims of business are inimical to the interests of the people? To get at the answer to this riddle, is first to get at what people mean when they think and talk about "business." Every day they hear it exhorted, admonished, castigated. What picture of "business" do they conjure up as their ears are pounded with slogans condemning Wall Street, Big Business, Capitalists, Power Trust?

Assuredly, not the true picture. Not the picture of business as it is, the exchange of your services and goods for mine to satisfy needs or desires. Not the picture of stores and dynamos and rails—the mechanisms to make easy our trading. The very complexity of the mechanisms breeds misunderstanding and distrust. Even if men lived by bread alone, the baker himself could not flourish in a world bound to that meager standard of living. So business has responded to the variety of interests, the interdependence of men upon men, the lively conversion of wants into satisfactions, the making of conveniences into necessities, and luxuries into conveniences.

But deeper than these manifestations lies the business we should march with—that composite of courage and imagination and resourcefulness and hard work which gives us the spirit and soul of enterprise. To get into step with this spirit, to encourage it, to question intelligently every proposal that would depress it, to be a part of it, is the smart thing for the individual to do, because

business alone has brought him his high standards of comfort, and it alone can carry him on to better days.

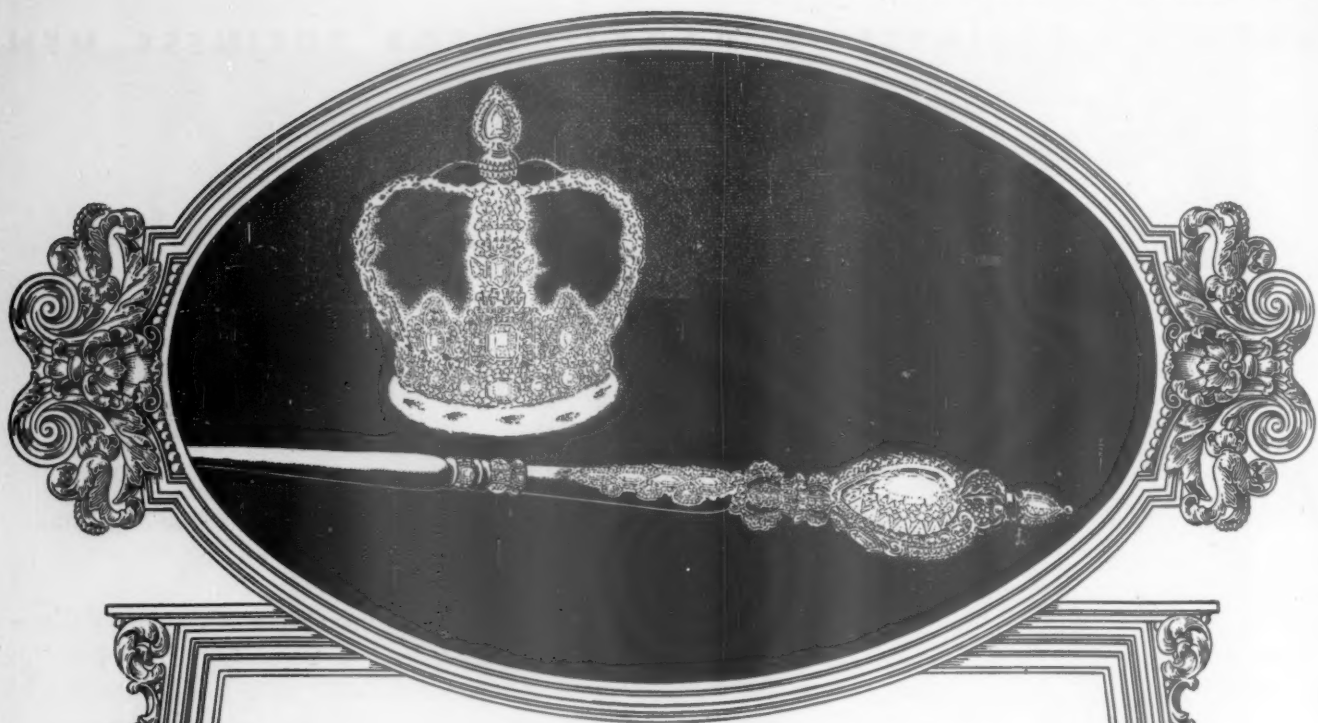
There is no program with an objective of better times, no matter how idealistic, to which this spirit of business does not subscribe and, with coat off, work for. Do you want a better job? Security? More purchasing power? Shorter hours? Why, then, so does business desire it for you. Selfishly, if you will, nevertheless it desires it, and by any test its record stands as mute evidence of this desire and, more, of its ability to bring it about. Business, you will find, is the oldest and most skillful hand in America in advancing the material comforts of the lowliest citizen. The most profound statesman, the most stirring orator, the most erudite writer, may promise gloriously, but the man who builds the factory and the man who works there, perform; it is they who deliver the goods.

And one can march with business unashamed. The good in the operators of the mechanisms of trade far outweighs the bad; the honest outnumber the crooks; more institutions are socially-minded than anti-social; more enterprises are serviceable than parasitical. More of the heart and will of America is engaged in business than in any other field of activity. And more persons, by actual count, are concerned in it, for who has not something to exchange, who has not the spirit of business to want to get on and up in the world?

Time and again business in America has demonstrated its ability to show the way to good times. To paraphrase one of its famous slogans, "When better times are brought, business will bring them."

March with business to better times!

Merce Thorne



DIAMONDS NEVER HAVE BEEN SUCCESSFULLY IMITATED

Imitators have made something that looks like a diamond. But at best it is lacking in diamond-quality and diamond-value. It is not a gem unless it is an original. The imitation has little worth in any market. And it serves no practical purpose, for it is soft and cheap and useless. Long ago we were the originators of the stencil printing process. And our laboratories have sponsored every real improvement that has ever been made in that process. Our stencils and inks have been imitated—in appearance only. The methods by which they are made are secret—and exacting. They may have been copied, but never duplicated. And the product thereof is the high-quality standard of the world. The Mimeograph invariably does a top-notch job when the supplies intended for it are used. Genuine! For brilliant work—for good work—insist on having the original. A. B. Dick Company, Chicago.

M I M E O G R A P H



Controlled Prices End Democracy

By H. C. DALE

Dean of the School of Business
Administration, Miami University

"THE American system" has been widely discussed but seldom explained. Here is a definition that explains why only this system can work in a democracy

THE practices and customs, in brief, the institutions by which society manages somehow to keep going, we call a system. The one we seem at times to understand least but to admire most is the American system. Systems, to be workable, must combine governmental controls with economic practices. Our American system is American because in both these respects it conforms to what we believe to be American purposes and ideals. We talk about it a great deal but it is seldom clearly defined. What does it mean?

It means something very definite. Narrowed down, it describes the way we Americans handle one of the commonest, yet one of the most important, economic relationships—that growing out of price.

Although prices at first glance may seem to be mechanical, impersonal, automatic, every price expresses a human relationship. There can be no prices unless a buyer and a seller enter into the human relationship of exchange out of which prices emerge.

Every transaction, every purchase involves a price. Our choice as to what we can afford, what we shall have to forego, the whole pattern of our lives, receives its outlines through the impact of prices. There is nothing new about this; prices existed long before there were any economists to write about them.



Under the American system, competition sets prices. This is the only way they can be successfully set in a democracy

They have appeared in every sort of economic society.

To understand the American system let us look at the various ways of setting prices. There are only four:

1. Prices set by government.
2. Prices set by producers.
3. Prices set by consumers.
4. Prices set by competition, which means competition of buyers with buyers and of sellers with sellers.

One system only sets prices

COMBINATIONS of one or more of these may appear to be operative at times but, even here, a close analysis will usually reveal that, basically and fundamentally, only one method lies at the bottom of the particular price arrived at. Let us examine each.

Prices Set by Government. One of the oldest functions of government has been price fixing. All through English history, parliament or local borough councils have set the prices of bread, ale, wine, poultry, fish, cloth, iron goods, and so on. With price fixing went also the setting of wages by governmental fiat. Similarly, in colonial America. The job was not particularly well done either in England or America and there were frequent violations, especially if the government-set prices fell out of line with what would have been the prices under other conditions. Canon law and common law early accepted this idea of government price fixing. Only in the United States is there any limitation of government's power in this respect. In England, even

in Canada, it would be perfectly legal, so far as mere legality goes, for the proper governmental agency to set the price of anything even today.

Prices Set by Producers. This is the method of the Middle Ages and incidentally of the NRA code authorities. In medieval Europe, while government regulated the prices of food and agricultural products in general, the guilds fixed the prices of manufactured goods. Before the large growth of industry in England, the guilds merchant regulated prices. Later, the craft guilds, made up of manufacturers, set the price of commodities. Although only a half dozen NRA codes permitted out and out price setting, most of them included provisions enabling the code authorities to sanction producers' control of prices.

Price Setting by Consumers. This is a comparatively new development, consumers being traditionally unorganized. Agricultural cooperation has changed this situation in at least one field. Contrary to popular belief, cooperative activity among farmers began on the buying, not the selling, end. As consumers, they combined to purchase binder twine and breeding stock and eventually to manufacture various lines (such as gasoline) for distribution to their members. However, the growth of consumer co-

operatives lies ahead, not behind.

Price Setting by Competition. This is commonly regarded as the "normal" or "natural" way of determining price. Unfortunately, it is nothing of the sort, if by "natural" or "normal" is meant inherently or logically inescapable. To be sure, many prices were set by competition in ancient and mediæval times, but the efforts of governments and of guilds alike were directed to determining prices in other ways, presumably in such ways as would meet socially desirable ends better than prices set by competition. At certain times and for certain commodities competition might safely be relied upon to set a price that was "fair" or "just" to the particular group operating the social machinery of control. But this would frequently be mere accident.

Effective competition

EACH of these methods has been employed from the earliest times. As a matter of fact, each is used in the United States today. But it is the last method—price setting by competition—that we know as the American system.

The basic notions behind price setting by competition are worth examining. In the first place, competition, to be effective, presupposes a

large body of potential sellers each competing with the others in trying to dispose of his wares, with no buyer so large or so powerful that, by withholding his order, he can appreciably affect total demand. Under such (assumed) conditions, market price is fixed by "the law of supply and demand" of the classical economists. Of course, this assumption includes also the possibility of ready entrance into and withdrawal from the market; it overlooks production costs and the continuing burden of fixed charges, although the former is recognized as setting limits below or above which price in the long run will not tend to go.

Thus if "the law of supply and demand" results in a price so low that certain producers cannot profitably continue in business, they will eventually withdraw and their withdrawal, by reducing supply, will tend to restore prices and so the actual market price level is constantly adjusted around the price which most nearly represents the cost of production.

This is the theory of competitive price. It is the American system. It is *laissez faire* and the political counterpart to economic *laissez faire* is democracy. The American system, consequently, has a two-fold aspect.

Viewed from one angle, it means competition in the realm of economics; viewed from the political angle,



Russian customers waiting to buy goods for which the government is able to fix prices because, under communism, it not only makes the laws but also owns the store

EWING GALLOWAY

it means democracy as the inevitable and only effective counterpart of *laissez faire*. Political institutions develop and decline to the extent that they succeed in implementing existing economic systems.

Democratic prices

THE great age of democracy has been the great age of *laissez faire*, the age of price setting by competition. If prices are set by producers or even by government, then the best governmental tool is probably fascism or even communism. The price fixing features of NIRA were bound to break down under the democratic form of government. They might have succeeded under a fascist dictatorship.

To the extent to which Congress revives price control devices either by government fiat or through coded and cartelized industries, to such extent it carries us along the road to fascism.

The American system has not gone unchallenged in this country. It has been assailed for years. Chiefly, the attack has come from those who would like to see prices more largely set by producers. Monopoly presents the simplest case. Obviously where an actual monopoly exists, not market action but the monopolist determines prices. Virtually the same situation exists when powerful groups agree to act in concert. It is against both these forms of attack on the American system that the Government has directed some of its most significant efforts.

Enacted in 1890, the Sherman Act not only prohibited monopolies, but declared illegal every contract, combination in the form of trust or otherwise, or conspiracy in restraint of trade.

In 1896, in the Trans-Missouri Freight Association case, an attempt of some 18 railroads to stabilize freight rates and stop ruinous competition was held illegal, even though it was admitted that the rates were reasonable and imposed no undue restrictions on trade. The American system as envisioned in the Sherman Act declared *every* contract and *every* combination and conspiracy in restraint of trade to be illegal. Said the Court in the Addyston Pipe case in 1899:

It has been earnestly pressed upon us that the prices at which cast iron pipe was sold . . . were reasonable. . . .



EWING GALLOWAY

If producers are to fix prices, as they do in Italy, they can best accomplish this under a fascist form of government

We do not think the issue an important one because, as already stated, we do not think at common law there is any question of reasonableness open to the Court with reference to such contract.

Price-fixing agreements

AGREEMENTS by producers to fix prices were agreements to fix prices and consequently were contrary to the whole spirit of the American system.

The first wavering in this reasoning came in the Standard Oil and American Tobacco cases, 1911, when the Court introduced the so-called "rule of reason" as a modifying factor. This took the entire status of these cases out of the realm of specific legislation (the Sherman Act) and placed it in the area of

judicial interpretation. Since then it has been held that the Sherman Act merely imposes the common law restraints on trade and that when Congress said "Every contract, combination in the form of trust or otherwise" it meant only those contracts, combinations and conspiracies which operated to the prejudice of the public interest.

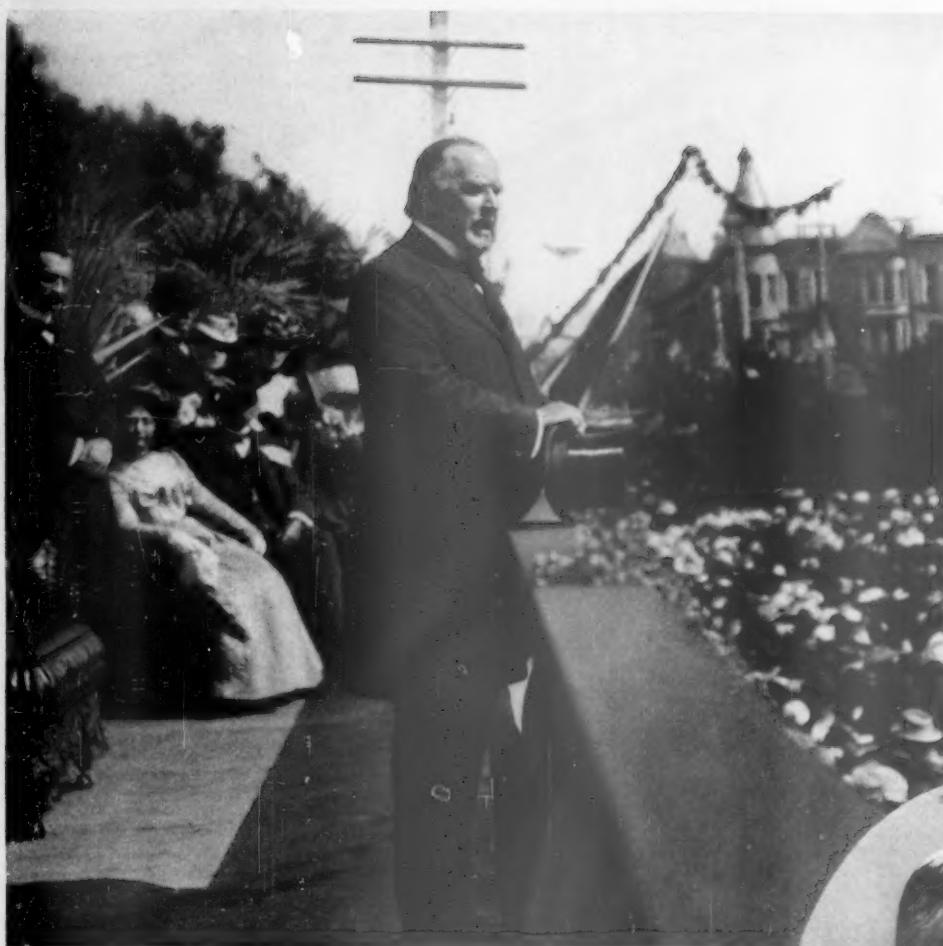
Even without the aid and comfort afforded by the rule of reason many producers have found it possible so to "manage" or "administer" prices as to thwart the presumptions of the American system. Wherever a few large units have dominated an industry, even though they are ostensibly in competition and particularly where huge initial capital investment

(Continued on page 85)

It Couldn't Happen in

By FLORENCE P. KAHN

Former Representative from California



President McKinley was in the White House when Mrs. Kahn came to Washington to view politics first hand

IT WAS on Thanksgiving Day, 1899, that Mr. Kahn and I arrived in Washington to await the opening of the 56th Congress. President McKinley was in the White House. It was just after the Spanish War and the problems following that war were awaiting action by Congress.

Thomas Reed had just retired from Congress and the Speakership. Nelson Dingley, famed author of the Dingley Tariff Bill, had also retired. Both were representatives from Maine.

Maine had controlled the most powerful positions both in the House and Senate, but in the 56th Congress, with the election of Henderson of Iowa as Speaker, the control shifted to the Middle West and Iowa controlled the Speakership as well as having chairmanship of the most important committees.

Since that day, under eight Presidents, I have seen 19 Congresses come and go, swaying back and forth from Democratic to Republican, from Republican to Democratic. There is no member of either House or Senate who was in Congress on that opening day. Members of the Cabinet have come and gone, their names lost in obscurity. The Supreme Court has changed its membership once completely and, with one exception, possibly thrice, since then.

A living panorama of historic interest has passed before my eyes in that momentous third of a century.

In 1899 there were no automobiles, radios, long distance telephones, or airplanes, and the electric development which has made them possible was still in its infancy. Economic,



When Col. David B. Henderson of Iowa succeeded Thomas Reed as Speaker, control of the House shifted to the Middle West

Congress Now

SINCE 1900 Mrs. Kahn has been close to the Washington scene, either as an interested observer or an active participant in events. From her experiences, she draws some comparisons of people and practices yesterday and today

scientific, industrial and social changes make one wonder if it really can be the same world.

The older Congresses

I HAVE often been asked, "How does the present Congress compare with those gone before? Has the personnel improved or deteriorated? Is Congress still a workable mechanism for producing national legislation? Has it, in all this changing world, remained stable? What about its present prestige and importance?"

My opinion on these questions is in no way dogmatic, just my own deductions from my observations gleaned during these years, first as a fairly regular visitor in the gallery and then as a member on the floor, always vitally interested in national affairs, and avidly seizing every opportunity to discuss them in season and out.

"Czar" Reed, as Speaker, had ruled Congress with an iron hand and the let-down under Speaker Henderson was sharp and severe. He had none of the power of Reed and, though the "Reed Rules" were still in force, the power slipped from his hands to the floor leadership which included not only the floor leader but a coterie of the most important members.

I think it is an undeniable fact that the prestige and force of the House depend more upon the strength of the Speaker than upon any other one factor. Under the stern and frequently dictatorial rule of Cannon, who followed Henderson, the country, to say the least, knew there was a House. In the reaction against Cannonism, the prestige gradually lessened, but it was regained under the fair but decided rule of Longworth who, in my opinion, will rank with the really great Speakers.

He was extremely jealous of the rights and prerogatives



When Speaker Cannon ruled with an iron hand, the country at least knew there was a House



Although Champ Clark left the Speaker's rostrum to fight the selective draft, a strong minority forced the bill through



Thomas Reed, of Maine, called the "Czar," made the House rules and enforced them

of the House that had been neglected or ignored for many years and, in asserting and insisting upon these rights, reestablished the power of the House and raised it in the public estimation until it, and not the Senate, was the dominating body.

To illustrate:

All revenue bills must originate in the House. The Dawes-Young plan was to be considered. The Senate had it up for consideration as a treaty. The Speaker

maintained it was a revenue bill, not a treaty, and should be considered first by the House. The Speaker was insistent, the Senate acknowledged the right of the House, so not only that plan but all foreign war debt legislation has come under that category and the House considers it first.

Since Longworth, the terms of the Speakers have been so short that the power has slipped away and the Committee on Rules has taken over the direction of legislation entirely. In the past four years it has become most powerful and autocratic, reporting out "gag" rules that out-Reeded Reed and relegated the achievements of a "Cannon" to the toy pistol class.

Bryce in his "American Commonwealth," written almost a half century ago, emphasized the fact that an articulate, militant minority is the safeguard of democracy. In many instances this articulate minority has not been in the minority party alone. Frequently it has been in the majority as well. It developed such able parliamentarians as James Mann; such subtle strategists as John Sharp Williams; great debaters, logical speakers, independent thinkers. There was no blind following of leadership outside the House, nor acceptance of ready-made legislation.

Congress was law-maker

PERHAPS the legislation immediately following our entry into the World War will illustrate, not only the independence of the membership, but the power of an articulate, aggressive minority.

It was a Democratic House and a Democratic President. In many quarters the opinion was held that an adequate army could not be raised by calling for volunteers; that this was unfair and unsatisfactory and that conscription—or "selective draft," as it was called then—was necessary.

Except for a short time before the end of the Civil War, our country had never resorted to the draft and nobody knew what the reaction would be.

It was understood the President favored the selective draft—but as far as I know he never expressed his preference in any message to Congress. Mr. Kahn was the ranking minority member of the Committee on Military Affairs and wholeheartedly in favor of the selective draft.

The Committee was divided. Hubert Dent of Alabama, Chairman of the Committee, was definitely opposed, as were a majority of the committeemen.

So when the legislation to provide for the national defense was reported out it did not include the selective draft provision. That was later offered on the floor as an amendment. One week was allotted for the debate on the Bill—on the amendment, really.

Though the President's views were known, the Democratic leaders were ranged against him; Claude Kitchin, Floor Leader, Mr. Dent and Champ Clark, Speaker of the House, who left the rostrum

to take the floor against the amendment. When the debate started, passage of the amendment was doubtful but as it progressed the people and the press realized its fairness and justice and before the week ended the sentiment both in the House and country became so pronounced it passed by a big majority.

But the point I want to make is that, in all of this, the President had no communication whatsoever with Mr. Kahn. As a matter of fact, Mr. Kahn had neither seen nor heard from the President in more than a year when he made the fight for the selective draft. Indeed, he did not hear from him until many weeks later when the President sent for him to be one of a group to discuss an entirely different subject.

Could or would that happen today? It *could not!* With legislation as important as this, in a crisis as vital as that, would the House be given a free hand to decide what it believed best for the country?

Perhaps the past has shed a glamor, but I must confess that the membership as a whole, it seems to me, was of a far higher type than now. Many of the members were men of national reputation, desirous to serve in Congress as a crown to their careers. There were fewer inexperienced men whose hope was to use their congressional careers as stepping stones to the future. I am not criticizing a laudable ambition—but, in the first instance, the country reaped the benefit of the intellect, ability and experience of the men who had already achieved.

There are many other reasons for the change in character of the House membership. One of the most important is the lack of party responsibility—accentuated by the direct primary. It was thought that the direct primary would result in the expression of the untrammelled will of the people and that the control of political bosses would be eliminated. It has worked just the opposite. The primary has perpetuated the worst features of "boss rule," and, if the candidate acknowledges any allegiance, it is to the boss and not the party. The dire results of the lack of party responsibility are shown in the type of legislation.

(Continued on page 90)



John Sharp Williams, the type of representative who refused to accept ready-made bills



Nelson Dingley, author of the famed tariff bill, left the House in 1899



Claude Kitchin, one of the powerful group who opposed Wilson on the draft measure

Earthquake in Washington

By DONALD MacGREGOR

REORGANIZATION of the Government for greater economy and efficiency has been a promised goal of several past administrations. It failed. Now it is promised again by a slightly different method which may mean success

PRESIDENT Roosevelt's sweeping proposals for reorganization of the Government's executive machine, which in four years he built to a peacetime peak in civil employees and overhead, constitutes entirely fresh strategy for the elimination of what he brands "overlapping, duplication and contradictory policies" in the more than 100 independent departments, bureaus and other agencies of the existing establishment.

Better organization, closer control, is his keynote; and here, rather than hope for long-awaited financial saving, is a hand holding back the opposition of countless jobholders sour at the thought of the Treasury door being slammed in their faces. Mr. Roosevelt's likelihood of success in what he undertakes is aided materially by the manner of his approach—this, plus his driving personality and overwhelming party support in both Senate and House.

In moving toward this vast reorganization Mr. Roosevelt has in mind what he promised in his speech in Sioux City, Ia., September 29, 1932, carrying out the Presidential "duty of reducing taxes, of increasing the efficiency of government, of cutting out the underbrush around our governmental structure, of getting the most public service for every dollar paid by taxation."

In Pittsburgh, on October 19, the same year, he believed "we can make savings by reorganization of existing departments, by eliminating functions, by abolishing many of the in-

numerable boards and commissions. . . ."

He feels that these declarations are more applicable today than when he uttered them since, in his administration, the number of departments and agencies has been doubled.

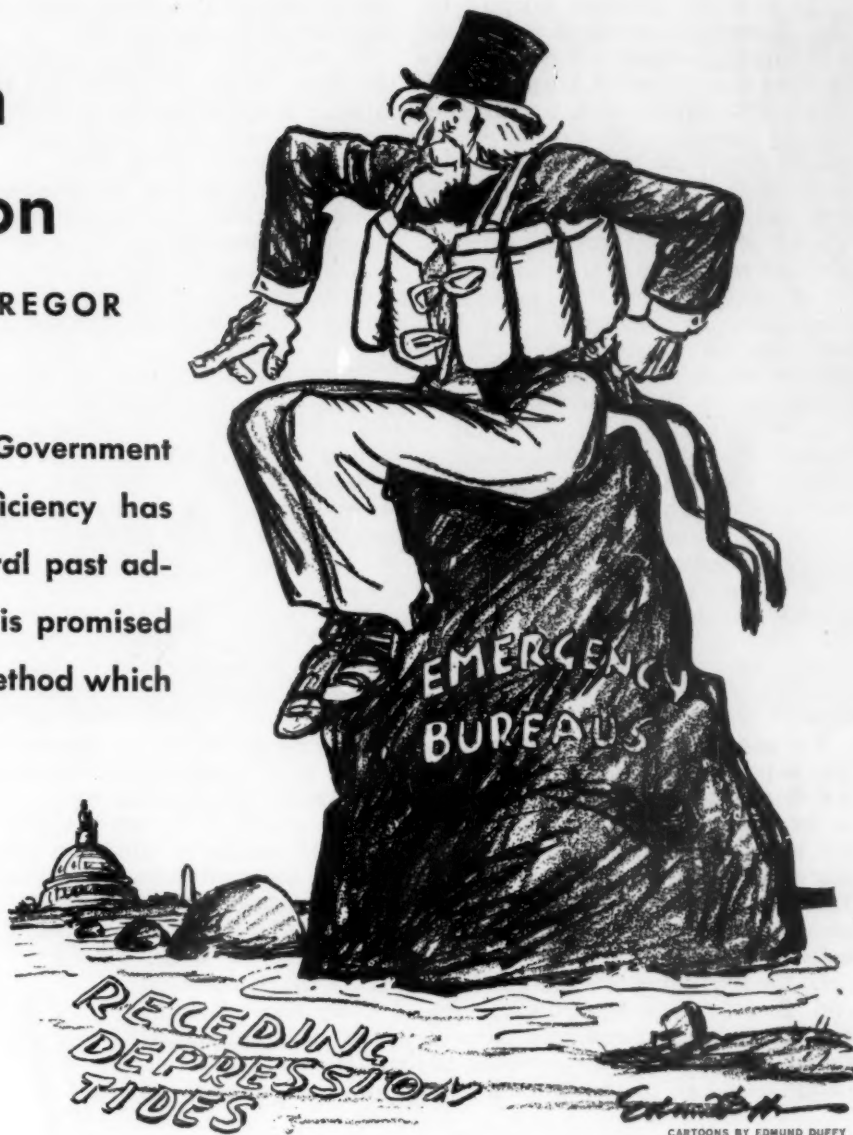
Too many agencies now

THE depression, of course, was the reason for the paradox of the doubling of the number of agencies in the face of repeated promises to cut down. At the time it was created, Mr. Roosevelt considered each new agency a desirable weapon in his fight to restore business. Its speedy and effective operation he held to be more important than the niche in which it should be located. He recognized that there might be merit in having reports come directly to the White House instead of to the White House through a member of the Cabinet. The promised reorganization could wait.

And it has waited. Now Mr. Roosevelt proposes to act.

His message to Congress of January 12 asking laws to overhaul the executive structure will be followed by exercise of his leadership; and Congress seems disposed to adhere on all save two essential proposals.

One is replacement of the Comptroller General by an Auditor General. The Comptroller General, representing Congress, frequently has clashed with executive interpretations of appropriation acts; and obviously some in the Administration would prefer to go ahead with expenditures and account later. Opposition to this is not from New Deal opponents alone, but from some administration stalwarts who fear change in the rule would haunt them in days to come, that Congress would surrender one of its prerogatives. Here, and in the civil service proposal reducing patronage, is possible defeat.



Activities which served their emergency purpose and are now needless are first on the schedule to be discarded

In 1932 the platform adopted by the Democratic national convention in Chicago pledged a 25 per cent reduction in governmental expense. But those who expect such a reduction at this late date may as well expect Mr. Farley to ask for a recount to determine the outcome of the November elections. Conditions at home and abroad have developed new national policies that have added materially to government cost. The Army and Navy have been increased. The Department of Agriculture and the Treasury, among others, have more to do than in 1932. Many new agencies have made and still are making commitments for 20 years to come—federal obligations which must be carried through to completion.

A new plan of organization

THE organization chart that eventually will be drawn will show a picture much different from that which might have been shown four years ago.

For one thing, Mr. Roosevelt's original hope that the number of departments might be reduced now is held to be impossible of attainment. Of the ten existing departments, five—State, War, Navy, Post Office and Justice—perform special service and cannot well take over any of the new activities.

Of the remaining five now existing, two, Treasury and Agriculture, have been expanded tremendously. A howl would go up if the Department of Labor would go to the discard. The

Department of Commerce seems an established counter-balance.

Mr. Roosevelt's proposal to change the name of the Department of the Interior to the Department of Conservation is chiefly a desire that its functions be better described.

To the existing ten the President would add two—the Department of Public Welfare, administering social security, public health and prisons, and the Department of Public Works, administering public works, housing, and the like.

To venture a prediction now as to what the chart finally will show would be pure speculation. Too many factors are involved, too many compromises are ahead. Congress must approve what the President asks, and Congress will be guided by public reaction to the general program.

As one familiar with the machinery in Washington for almost 25 years, I was not surprised to learn that it was necessary to employ an organization outside the Government to investigate and report to those concerned with reorganization on what the various departments and agencies are doing. I venture the assertion that no single mind can comprehend the multitudinous ramifications and describe them intelligently. For this reason, the Brookings Institution in Washington, which has taken a lively interest in the theory and practice of government, was engaged at a cost of

\$40,000 to make a survey and report.

The Brookings report will be the starting point of the three committees concerned, committees representing, in turn, the President, the Senate and the House. Unbiased, and merely describing the functions of the departments and agencies, it will minimize the danger of friction such as wrecked reorganization efforts in the past.

These past efforts go back at least as far as the administration of William H. Taft, who, after a study of the subject, sent a message to Congress in 1912 urging the consolidation and transfer of bureaus, the closing up of useless and outmoded units and perhaps the consolidation of regular departments. The campaign that year and Mr. Taft's defeat ended his effort at reorganization.

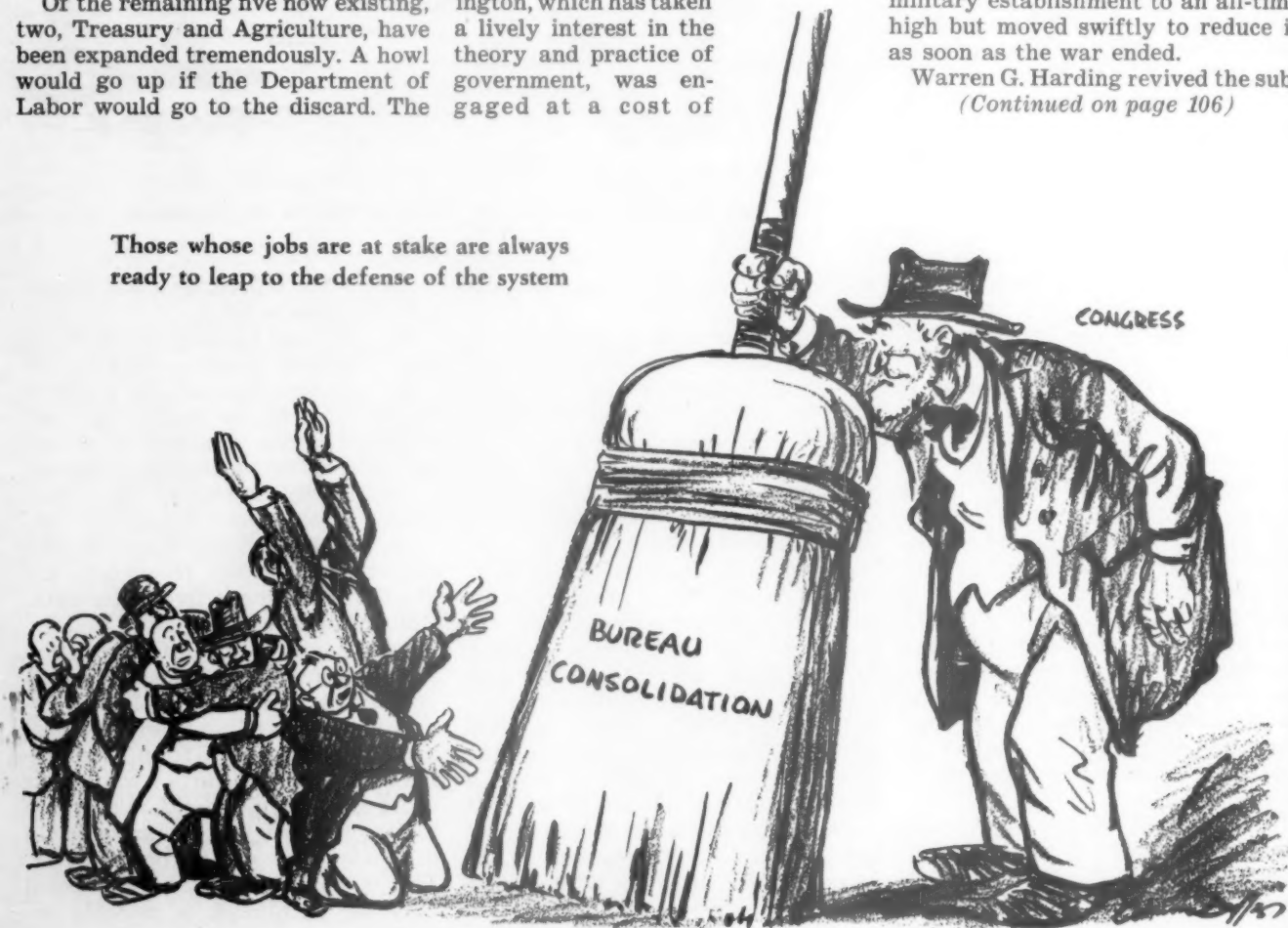
Economic reforms

WOODROW WILSON entered the White House in 1913 concerned more with his program for economic reforms than with the organization of the governmental machine. The creation of the Federal Reserve system and the enactment of the Underwood Tariff hardly were out of the way before war started in Europe. From that time forward Mr. Wilson devoted himself to foreign and to military affairs. He built the civil as well as the military establishment to an all-time high but moved swiftly to reduce it as soon as the war ended.

Warren G. Harding revived the sub-

(Continued on page 106)

Those whose jobs are at stake are always ready to leap to the defense of the system





Main Street of Columbia, Miss., whose citizens refused to let it die

Balancing Agriculture with Industry

By OLIVER EMMERICH

IN MISSISSIPPI today the theme song is "balance agriculture with industry."

With a total farm income of \$185,000,000 in Mississippi last year as compared with a total industrial pay roll of only \$14,000,000 for the same period, Mississippians realize that the task is as stupendous as it is necessary.

Hugh L. White, Mississippi's governor, was elected on a promise to balance agriculture with industry. In his campaign he declared that agriculture alone cannot prosper, that industry alone is in a hazardous commercial situation, but that, when balanced, these two can provide permanent prosperity. Mississippians, to a large degree enslaved to a one-crop cotton system, are seeking a more secure basis on which to build.

Fortunately Mississippians have a laboratory test of this plan—a miniature model, so to speak, and, since it has succeeded in miniature, the plan presents only the problem of

A MISSISSIPPI city which, eight years ago, faced certain death, provides an object lesson to show what may be accomplished when business men and farmers join hands to hunt prosperity and progress side by side

proportions when applied to the state as a whole.

Columbia, county seat of Marion County, home town of Governor White, is the miniature model, and eight years of agricultural-industrial balancing offer forceful argument that the plan can work.

Columbia was a typical Mississippi sawmill town of something more than 4,000 population, home of the J. J. White Lumber Company, of which the Mississippi Governor was active head. The long leaf yellow pine of the J. J. White Lumber Company was rapidly cutting out. Eight hundred men were destined to be thrown out of employment. Anyone who has ever seen an abandoned sawmill town can appreciate the fate which awaited

these people. A deserted mill town is the loneliest place in the world. Usually the dwellings, the commissary, the office buildings are sold and razed as second-hand lumber, the mill is moved away and only a few cross-ties, the mill pond, and the decaying walls of the mill structure remain—a dreary scene, indeed.

Eight years ago Columbia faced this industrial fate. The agriculture picture, on the other hand, was not much brighter, because Marion County was strictly a cotton and corn county with little diversification.

Refusing to pursue the customary sawmill routine of death, the people of Columbia and Marion County organized the Marion County Chamber

of Commerce. Then and there was born Mississippi's plan to balance agriculture with industry. The citizens, utilizing good judgment and understanding that money and man power are required to promote a community, raised a large budget and elected Ward Flanders, an able and patient worker, as the executive in charge.

Developments were clumsy at first, but soon the Columbine Knitting Mills, now employing 75 persons, was launched with results that added zest to the campaign. To move uniformly on both the agricultural and industrial fronts, the leading farmers and their wives were placed in school buses and private cars and, with expenses paid, taken on several tours into northeast Mississippi, a successful dairy area. Many farmers purchased good grade dairy cows as well as good poultry as a result of this promotion. Dairying was added to the county's farm values.

Next a canning plant was obtained—a task much easier to report than execute—and farmers were

awarded contracts to grow sweet potatoes, tomatoes, turnips, beets, beans, peas, spinach, pimentos, all at a definite price established before planting time. The venture was so successful that the Dorgan-McPhillips Packing Corporation of Mobile, Ala., decided to abandon three other plants and concentrate in Columbia. The plant operates ten months a year and this season will pay close to \$175,000 for labor and raw products.

Industries were bought up

THE Columbia Chamber of Commerce then decided to go after industries in a large way and a liberal plan of cooperation was advanced. Suitable industries were offered buildings free provided sufficient pay rolls were guaranteed. The Reliance Manufacturing Company of Chicago, makers of men's shirts and pajamas, agreed to locate in Columbia and spend a million dollars within ten years. The community agreed to build a building with 72,000 square feet of floor space which was to be deeded free of

lien when the guaranteed pay roll was met. The deal was made and the million dollar pay roll mark was reached in 38 months.

The firm added 12,000 square feet of warehouse space to its plant and today a large addition is contemplated. More than 700 employees work in this plant and 85 per cent of them live on the surrounding farms. The plant is obviously utilizing a surplus of idle labor from these farms.

Encouraged by their progress, and now fighting, not to escape death, but to accomplish genuine progress, the community brought in a wood reduction plant. This plant utilizes the pine stumps from the surrounding lands, an otherwise worthless product but the removal of which makes soil easier to cultivate and hence more valuable. The Southern Naval Stores Company buys these stumps from the farmers, making it possible for agriculture to benefit directly from industry. The factory employs 110 men in its plant and an additional 100 men on the outside.

The Squire-Dingee Company of Chicago and New Orleans put a pickle station in Columbia. In season about 25 workers are employed and farmers are given a market for cucumbers. The White Wirebound Box Company came next adding 30 more men to the list of employed.

Then the Chamber of Commerce sought to develop an untouched stretch of yellow pine which was being held for investment and the Louisiana-Southern Lumber Company, employing 75 men, opened at Foxworth, two and a half miles west of Columbia. Further effort developed a hardwood manufacturing plant to consume the raw products of the Pearl River Swamp. This factory, The Kentucky Lumber Company, gives a livelihood to 150 men.

But there were many factors to be considered as this program unfolded. For example, one manufacturer hesitated to locate in a town of less than 5,000 population, doubting that the labor supply was sufficient. Many northern manufacturers seem to think that labor must come from the cities. Columbia, like many parts of the South, draws her labor from the surrounding farms. After all, it did seem unreasonable that a town of some 4,000 could supply a thousand or so garment workers.

(Continued on page 92)



A canning plant promoted diversified agriculture, while the Reliance Manufacturing Company meant a million dollar pay roll in 38 months

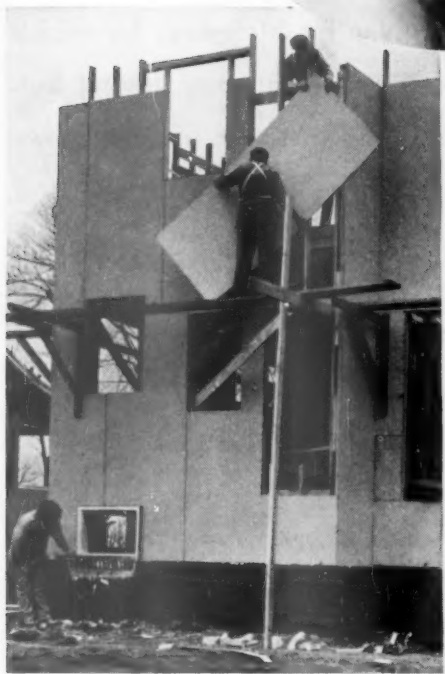




EWING GALLOWAY

Will New Housing Lead Recovery?

Restore Employment to Normal?



EWING GALLOWAY

New building helps 1,200,000 carpenters, bricklayers, plasterers find work. Electricians, plumbers, painters, follow. Trainloads of building materials keep hammers and trowels busy

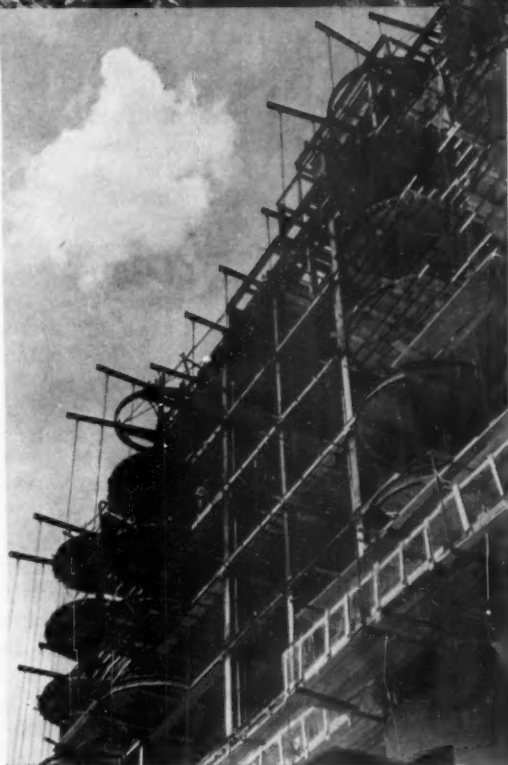
SOMEWHERE near 425,000 new homes will be built in 1937, according to W. C. Bober, statistician for Johns-Manville.

The Federal Housing Administration says that 270,000 home units were built in 1936, which was more than the combined total for 1932, 1933 and 1934. The F.H.A. estimate for 1937 is between 400,000 and 450,000 dwelling units.

Rents showed an average increase of 11 per cent in 1936.

Figuring cost of building the average home at \$3,500, the total spent will be roughly \$1,500,000,000—a helpful boost to American purchasing power. It is estimated that, of this sum, approximately \$650,000,000 will be spent for hiring labor—\$900,000,000 for buying lumber, brick, roofing, plaster, paint, air conditioning, etc.

The Mortgage Bankers' Association points to the favorable outlook but deplores government competition with their business, such as continuation of F.H.A.'s insurance guarantee after July, 1937, and certain potentialities in the proposed Wagner housing legislation.



EWING GALLOWAY

Scaffolding and steelwork on apartment house. Multiple dwelling units join in upswing with small home building to aid construction industry



Sunday traffic scenes like this are common but unnecessary

IN 1900, a traveling salesman for hardware, including blacksmith supplies, received word from the local freight agent to come down and get his horseless carriage. Wondering what it was all about, he went down to the freight yards and, sure enough, there on a flat car was a contraption known as the Monarch automobile.

For a moment the salesman was dumbfounded. Then he remembered that the sales manager of his company had jokingly remarked that an automobile might enable his Iowa representative to cover enough territory to bring up sagging profits. Visiting the post office, the salesman found a letter from the home office telling him to get busy in an enlarged territory with the present he would find in the railroad yards.

He got busy. An entire day was spent in getting the new vehicle off the railroad car and fixing a flat tire. He towed the car home with a horse.

Lacking an instruction book, the salesman learned to drive the car by trial and error. The roads were so bad this first car didn't last long, nor did the second. The third, the salesman largely built himself. He made the axles, the crank-shaft, the steering gear and one of the two cylinders. That car didn't last long either. One day on a rough road a front wheel came off, the axle dipped into the ground, and the salesman sailed through the air minus his pants, which clung to the steering wheel. He sold the wreck for \$25.

To this salesman must go a large measure of credit—if he was not the first to make commercial use of the



Many of the good solid roads still have narrow bridges built for the motor cars of another day

automobile, he certainly was one of the pioneers. Today, Phineas Colcord Fluent, 84, is Iowa's oldest traveling salesman. And if you have any doubts as to the value of the automobile or of roads to drive it on, just ask him.

Mr. Fluent is just one of thousands who earn their livelihood traveling millions of miles a year to reach the merchants and dealers in big cities and wayside hamlets. They motor rapidly from town to town, bringing the benefits of keen competition to the consumer.

Motoring salesmen, among the first to spread the gospel of good roads, however, compose but one tiny spot in the vast highway transportation business.

Just as a billion dollars is incomprehensible, so is the use made of the motor vehicle. But through it all runs this thread of truth:

Highway transportation is a business. Not the vehicle and accessory manufacturers alone, not the petroleum industry, not the operators of trucks and buses, not the builders of roads and suppliers of materials but all together, these and the fellow with an old flivver and the one with the latest model—that's the highway trans-

Planned

PROPOSING A PLAN by which the 36,000 lives now lost annually in highway accidents may be saved and the country given the highways for which the motorists are already paying but, because of circumstances and their own disinterest, have not received

Highways and Business

By **WILLIAM M. KINNEY**

General Manager, Portland Cement Association



The Indians followed a winding trail, so the car does, too, and accidents are invited

portation industry. And that industry depends directly upon the kind of tracks supplied the trucker, the bus operator and the individual motorist because the road is as much a part of the vehicle as the tires or steering wheel.

Handicapped by poor programs

IT doesn't matter which has been most responsible for modern highway usage, the car or the road. The fact remains that the car in general is far superior to the road.

That is not the fault of highway engineers and officials nor of present methods of road building and financing.

There are many stretches of first class roads and really modern streets which testify that the engineers know what road users need for safety, comfort and driving economy. They know how to build these facilities. They are capable of building them faster.

But, handicapped by improper laws, lack of system, lack of programs, highway engineers are given no opportunity to build the facilities indisputably proved desirable, either in terms of dollars and cents or saved lives and limbs. As matters now stand, there is little to inspire confidence that the roads of ten or 20 years hence will be better fitted for the traffic of



Multiple lane highways with traffic separations will make auto travel almost fool-proof. They cost money, of course, but motorists are already paying for them

that day than are today's roads for today's traffic.

As compared with the path the nation can be on—and at no greater cost—the present method is a make-shift. The new path is one of faster progress, greater safety, greater economy for the driver and sound spending. It looks ahead and eliminates guesswork. It is the way pointed out by rational highway planning.

To see the need for the new path, glance for a moment at the roads of today—3,000,000 miles of them plus some 300,000 miles of streets.

Only towns and cities near one another have anything like adequate highway connections. There isn't a highway between Detroit and Chicago that offers easy traveling and complete safety. There is none between New York and Boston, between Cleveland and Cincinnati, between Chicago and Washington, between Philadelphia and Pittsburgh. And the roads that serve cities such as these are the nation's busiest roads!

Only a small part of the 332,000 miles of main state highways, which carry 60 to 80 per cent of the rural road traffic, are fitted to their job. Some 30 per cent, 110,000 miles, are classed as high type, which implies good, solid roads. Sadly, many of these roads were built for a motor car of another day. Many wind around almost like the deer and Indian paths they originally followed. Many are too narrow, have sharp turns, skimpy shoulders, narrow bridges.

Then come about 65,000 miles of intermediate type roads which cost more to drive on and are less safe than the high type roads.



Skimpy shoulders and broken edges menace drivers on too many roads

The balance of the main state roads scarcely measures up to the needs of the automobile of 20 years ago. Half of the main state highways, the busiest roads, are classed as mud and dust roads.

Rural roads are poor

NOW, aside from the main state highways, there are 2,700,000 miles of main county and strictly land service roads. Of these roads, only a fifth have received any worth while improvement at all, and most of these will give your car's springs a thorough workout.

The job to be done is not so overwhelming as it might appear because, altogether, the main county and local roads carry only a third of the traffic. Thousands of miles deserve only rudimentary improvement from the pure economic point of view. Nevertheless, some 600,000 miles of main county roads, over which come floods of farm products, need surfacing.

Rural highways alone, therefore, measure up to a full sized job.

In addition, there are streets, countless miles of which are connecting links with the main state highway systems. In too many cases, fairly decent rural roads, and even wide, first class roads, lead into a city or town, where immediately the driver is confronted with narrow, rough roadways, congestion and other hazards that reduce the usefulness of the car.

The shameful record of 37,000 motor car deaths in 1935 and of 36,000 in 1936, the more than a million injured each year, is damning evidence that present roads and streets are inadequate.

Highway and safety engineers have demonstrated that highway facilities can be built that make travel almost fool-proof.

Safe highways—divided lane roads, grade separa-

(Continued on page 100)



Enough money to end 15,000 grade crossings has been diverted from highway funds



ILLUSTRATIONS BY STUART HAY

If the Immigration Bureau says you have trachoma, you have, no matter who says otherwise

Trial by Commission

By HERBERT COREY

INVESTIGATING our own peculiar American form of tyranny which permits the Government to find men guilty of violating rules that have not even been printed

THIS is a hypothetical question. Like most hypothetical questions it is full of dynamite. Suppose that your name is Ignatz Hanfstaengel and that you have checked in at Ellis Island on your way to what you hope will be citizenship in the United States. Suppose that an examining surgeon of the U. S. Bureau of Immigration looks at you. Suppose that he says,

"Out, Ignatz. You have trachoma. We cannot permit you to enter."

Continue the suppositions. Suppose that you call all the members of Johns Hopkins hospital staff and all the trachoma experts from the New York Medical Center, and a few surgeon majors from the Medical Corps of the United States Army,

and they with one voice say that you have no trachoma, never have had trachoma, and that your eyes are bright as a cat's under a bed.

These testimonies may afford you some personal rejoicing, but they will have no bearing on the matter at issue. If the examiner from the U. S. Bureau of Immigration sticks to it that you have trachoma you have trachoma, so far as getting into the United States is concerned. He is, in effect, the sole judge of the facts in your case.

Let us have another hypothetical question. Suppose you are a manufacturer in a good way of business—constructing roads and public buildings, for example. Suppose that you have constructed a road to the re-

quirements stated in the Government contract, which, by the way, includes a paragraph that the findings of fact of the contracting officer, the other party to the contract, are final and conclusive. This means in every day language that you cannot test out such findings in the courts if there is any reasonable evidence to support them.

Suppose further, that you receive payment for the road after it has been inspected and accepted. True, you have guaranteed in that contract the material and workmanship for a year. In the meantime the road is subjected to heavy traffic, and the road was never intended for heavy traffic, with the result that it deteriorates during the year. Also, in the meanwhile, you have taken two or three other contracts with the federal Government to construct public buildings.

You have counted on the monthly installments under such contracts to pay for your material and labor but one day you wake up and find that the Government refuses to pay you

because the contracting officer under the road contract says that the road is torn to pieces and that such tearing resulted because you failed to construct it properly. The Government has let another contract for the reconstruction of the road, and the cost of reconstruction is several thousand dollars more than was paid to

rulings of many courts, supported by the ruling of the United States Supreme Court itself, that most of the various independent commissions, agencies and offices of the federal Government are supreme in their judgment of facts in disputed cases. The courts to which appeal may be had may only rule on the law. It fol-

to have happened in one case before the Federal Communications Commission. It will be understood that I am not passing on the accuracy of the allegations of fact. Because of this I am carefully avoiding any statement which might lead to the identification of the parties in interest. The judgment of the F. C. C. may, so far as I know, have been absolutely right. But here are the statements of fact made by the losers in the case.

They allege that they were owners of a small broadcasting station in a large city. The low power and the wave length assigned to this station permitted them to cover only the local territory. A speculator in broadcasting stations came to them—they say—and offered to buy them out. The station was then worth approximately \$500,000 and his offer was nowhere near that sum. In any case they did not want to sell.

"I'll get you yet," the speculator said—they say—"and you'll go out of business on your ears."

Whereupon he bought an equally low-power, under-waved station in another state, but within the local broadcasting area of the first station. He then obtained permission from the F. C. C. to increase the power of his station, on the plea that the state in which it was located lacked proper broadcasting facilities. This statement was quite true of the state as a whole, although his newly acquired station was within an area which was practically jammed with stations. Then he installed a directional antennae pointed toward the station he had originally tried to buy, and simply washed that station out of business. The U. S. Supreme Court held in effect that the decision of the F. C. C. could not be overruled.

It had been rendered in accordance with the law governing its authority. The Supreme Court ruled that the F. C. C. must be held to be the sole judge of the facts.

Congress set up these "courts"

THE reader may think that this is ridiculously wrong. It may seem to him that it is supremely silly that a condition has been set up in which it is possible for a citizen to be punished for something he did not do, so long as it can be shown that his trial was conducted with due regard to the form of a law which had been held to be constitutional. But the reader must not jump to the conclusion that the Supreme Court of the United States is responsible for this condition.

The rule that the various independent federal agencies, commissions and bureaus are the sole judge



Oh, I am the Cook and the Captain bold,
and the Mate of the Nancy brig

you for constructing it in the first instance. This is due to the fact that the road as reconstructed is a better road, made out of better material than your contract required.

You are indignant and call in your lawyer. He tells you that the contract means what it says and that, if the contracting officer has concluded the road failed because of poor materials and workmanship, you are stuck. He says you can sue the United States in the Court of Claims for the money withheld under the public building contracts but that the Government will file a counterclaim or cross action for the expense of reconstructing the road and that maybe after two or three or four years you may be able to get a part of your money as the result of a judgment, though that is doubtful.

It's a one-sided decision

WHAT becomes of your material men and laborers in these two, three or four years? Unless you have other cash sufficient to carry out the contracts or can borrow the money, the surety is compelled to take over the contracts and likely you go into bankruptcy. And why?

Because it has been established by

laws that it is quite possible, although admittedly an absurdity, for a citizen to be found guilty of a fault of which he has no knowledge whatever. The federal bureau before which he is haled to answer this charge may make its own investigation, bring in its own evidence, in effect hand down an indictment, prosecute the citizen before its own court, find him guilty and order him punished.

And it is possible—even if it is absurd—that all these things might happen even if every statement of fact made by the federal investigator-prosecutor-judge combination were as false as Baron Munchausen's best tales.

The federal bureau would only be overruled by an appellate court if it had handed down a judgment in defiance of the governing law and in the absence of evidence to give some support to the administrative findings as to the facts. If that judgment obeyed the letter of the law it would stand unless you could prove to the court that the findings of fact were so contrary to the actual facts as to amount to fraud on you—a difficult task!

That, of course, sounds like unqualified nonsense. But worse is said

of the facts in the controversies on which they pass, and that the only grounds on which their rulings may be attacked in the appellate courts are that the law under which they have ruled is unconstitutional or that the culprit has not been given a hearing in conformity to the provisions of that law is a statutory enactment. Congress wrote it into the law.

Exceptions may be found to that statement. Not all of the agencies, commissions and bureaus enjoy the authority to be detective, prosecutor, judge and jury. But the tendency is expanding. More and more these agencies are being given these extraordinary and dictatorial powers. A special committee of the American Bar Association found recently that 73 federal administrative commissions and agencies exercise judicial power in 276 classes of cases although their powers are primarily administrative or regulatory. They do this under 1,300 specific grants by Congress. These figures do not include the agencies which operated under statutes held to be unconstitutional by the Supreme Court, the several government corporations, or the Civil Service Commission and the General Accounting Office, which are in a different class.

Some of these agencies have set up what are to all intents and pur-

poses regular courts, lacking only curled wigs and black gowns. They have established formal rules of practice before them, and there are even associations of lawyers who specialize in such practice. No law-maker has ever pinned the court label on these agencies, but there they are. They are the Patent Office, the S.E.C., the Federal Power Commission, the Federal Trade Commission, the Bureau of Internal Revenue, Department of the Treasury, the Board of Tax Appeals, Federal Communications Commission, Federal Alcohol Administration, Tariff Commission, Veterans' Administration, General Land Office, Immigration and Naturalization Service, I. C. C., the Bureau of Customs, the Bureau of Indian Affairs.

The powers granted some of these agencies by Congress are so extraordinary that the rules they lay down to govern an industry have the force and effect of law. They are practically little congresses. Every one remembers that the fact was developed by the question of a justice of the Supreme Court that men had been found guilty of infractions of a regulation that had never been printed. It had simply grown up in practice in one of the agencies.

Many of these administrative bodies are composed of political ap-

pointees who need not necessarily have any knowledge of law. Yet they are empowered, not only to make laws which the citizens must obey, but to prepare the evidence against persons charged with violations, prosecute them, and bring in and enforce decisions. If the victim of an unjust ruling by one of these agencies is determined to preserve his vanishing rights as an American, his position has been defined by the Bureau of Labor Statistics in these terms:

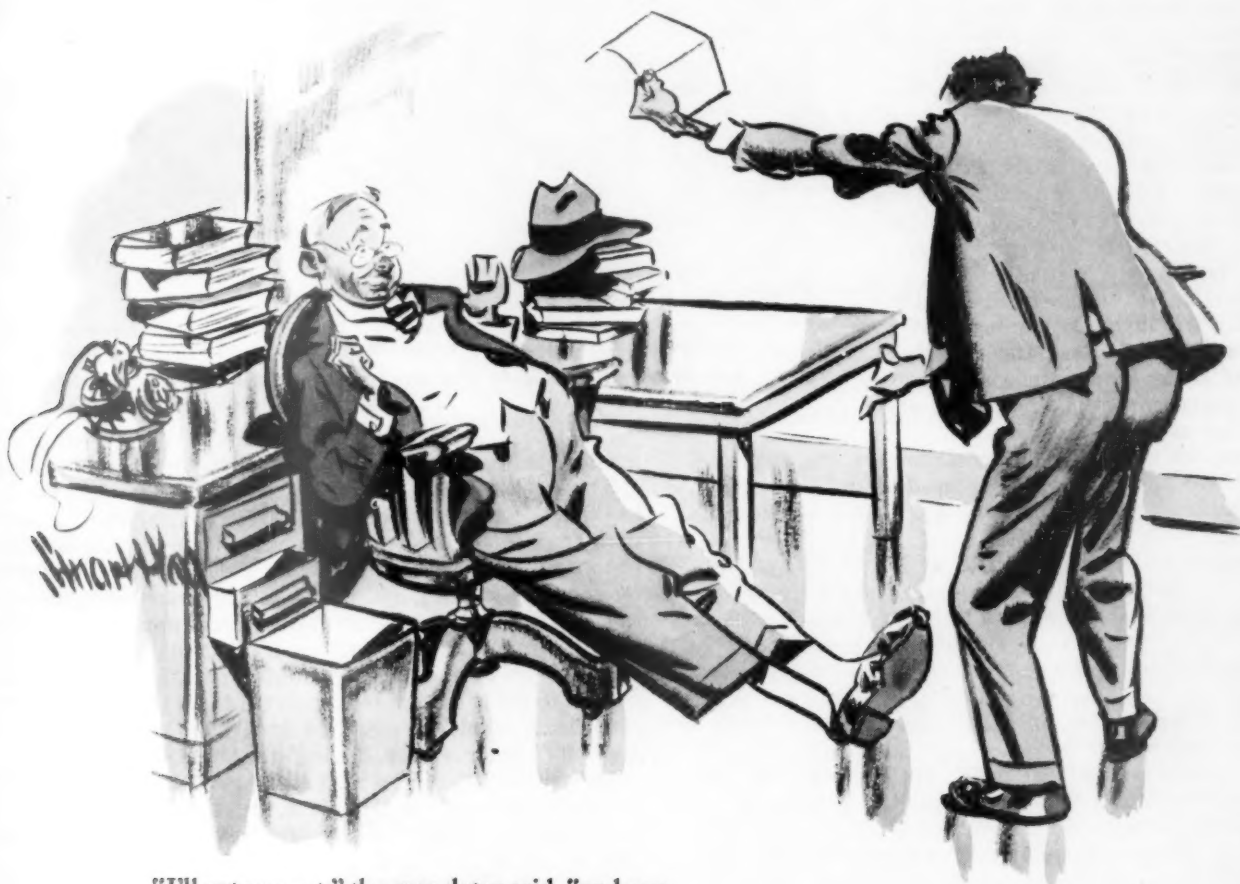
Entirely too many citizens find in actual experience that access to the court is difficult, that the procedural machinery is complicated beyond any hope of their understanding, and that the legal system moves so slowly in their behalf that no prompt and summary relief may be obtained.

Limited review by courts

BUT the worst of the situation has not yet been told. According to Col. O. R. McGuire, chairman of special committee on administrative law of the American Bar Association:

Except for money claims, the right to obtain an independent review of controversies with the United States does not exist and never has existed in a great many cases; in others the right of review is limited to questions of law; and, even as to the law, the conflicting

(Continued on page 108)



"I'll get you yet," the speculator said, "and you will go out of business on your ear." He did



Improved layouts like this in which trailer families start out are traded as soon as possible for factory models

Trailers

ARRIVAL in San Francisco on one steamship of 20 trailers which had been towed from Detroit to New York to be loaded on the liner, and their immediate sale to migrant families who turned in home-made trailers as part of the first payment, started a line of inquiry which is expected to have far-reaching results. The California State Division of Immigration and Housing not only wants to know more about the hundreds of thousands of families now living in homes on wheels, but has been requested by business organizations to provide information that may help solve the problem of what communities are to do with half-empty schools and other public services organized at great cost, but which are now being deserted by families who elect to live in trailers.

This particular shipment of trailers was merely the largest of many sent by ship and railroad to meet the heavy demand. The same kind of shipments are reaching other coastal points, and most inland cities as well.

California is collecting information for its own use, but recognizes that such data is of national value since most trailer traffic moves through California at one time or another.

Information which may lead to action is desired, officials say, not with any intent to restrict trailer traffic, but simply to help find a way to adjust communities to a new way of life which several million Americans have selected, and which may portend the future development of hundreds of communities. Local governmental units, it is asserted, must be ready for changes which seem imminent in many forms of public service.

Traffic checkers at key highway "bottle-necks" for the California State Division of Immigration and Housing, and for the Federal Resettlement Administration which, incidentally, is seeing Americans do voluntarily for themselves what it was organized to do—"resettle"—are revealing that the rush toward living in automobile trailers is spreading rapidly from the lower and higher economic



Although all classes are represented, many of the migrants are those who took to the road rather than "go on relief"

PHOTOS BY THE AUTHOR

grades through all gradations of American society.

The working man, the surveys show, is not only taking to the highways with his family in immensely larger numbers than all other groups combined, but it has become profitable for him to do so, and he is building his own trailer, when necessary, to get in motion. Even more, he will live in a truck body with his family until he can save money to purchase a factory-built trailer.

Moreover, he prospers without benefit of labor organizations to plead his cause, and in this aspect many sociologists see a return to old-time American principles of independent journeymen laborers.

The trailer migration, records show, has raised serious economic problems in 27 states. In 16 states populations have deserted costly public services installed for them and, in 11 other states, present public services such as schools, highways and police protection are now insufficient to meet the needs of trailer brought populations.

States which have lost population to trailer life include

Bring Families and Problems

By KHYBER FORRESTER

IN California alone, 180,000 families are now living in trailers, moving from place to place as the spirit moves them.

Already the need exists to adapt public services built for a stable population to meet this new way of life

Alabama, Georgia, Illinois, Kentucky, Massachusetts, Michigan, Mississippi, New Jersey, North Carolina, Rhode Island, South Carolina, Vermont, West Virginia, Iowa, Oklahoma and South Dakota.

States which have gained population due to trailer traffic (the gains may be temporary) include Arizona, California, Louisiana, Nevada, New Mexico, Utah, Washington, Maryland, New Hampshire, Ohio and Wisconsin.

In Connecticut, Delaware, Indiana, Florida, Maine, New York, Pennsylvania, Tennessee, Virginia, Arkansas, Colorado, Idaho, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, Oregon, Texas and Wyoming losses and gains approximately balance each other.

The District of Columbia, finally, has gained by the new trailer migrancy.

Widespread community tax and fiscal adjustments predicted less than six months ago for some future date are now occurring and business men and organizations are wondering whether to try to stabilize migrant trailer families or find a way to accommodate themselves and local units of government to what seems like a permanent change in American life.

Large organizations—



Many communities, acting in self-defense, have had to erect permanent camps like that above to meet the sanitary and health problems created when communities like the one below spring up. At the time the lower photo was made approximately 1,000 persons were camped here on what had been the town dump



the Commonwealth Club of San Francisco is one—are trying to find ways of adjusting community and business systems to the new mass migration.

The California highway check-up shows that the families on the highways are about evenly divided between agricultural and industrial workers. A large number are families from the drought states who have turned to trailer life rather than accept public relief. They include former farm owners, farm renters and farm laborers. The industrial workers include plumbers, sheet metal workers, glass workers, railroad men, textile workers, electricians, carpenters, painters, brick masons, automobile mechanics, radiomen, locksmiths, in fact all the trades active in modern life.

Professional men included

CONSIDER that even photo-finishers, some with their finishing apparatus and darkrooms in their trailers, are included and you have an idea how far trailer migrancy is proceeding.

Professional men, including doctors, newspapermen, clergymen, lawyers and artists, too, are in the migrant stream.

Least important numerically are those who are retired and living on income from investments. They purchase the de luxe trailers, it is true, but the low-cost equipment is what looks like the future big bet for the manufactur-

ers, as it turned out to be in the case of the automobile.

It has been a far cry from the finely appointed trailer camps near many cities, to the "jungle camps" of the families just starting out, but communities are now slowly putting in public camps for the less-well-fixed financially. They have been forced to take this step for sanitary reasons.

Large private employers of migrant labor, notably in California, have joined the movement of supplying such sanitary camps.

Where they have not done so, the federal Government has been prevailed upon to put in simple sanitary migrant camps, largely as demonstrational projects to acquire experience in dealing with the problem and eventually to train managers for community and private camps.

Popular conceptions of how to advance in life, some of them hundreds of years old and ingrained in the very nature of humankind, are being shattered as workmen discover that, as rolling stones, they *can* gather moss.

Roger W. Babson, with his prediction that within 20 years half of the American population would be living in rolling homes, may or may not have taken cognizance of the "other half" of the rolling homers which is on the highway because it has literally been forced there to escape charity and relief, but nevertheless this class of working migrants, in the opinion of sociologists who have been dealing with the problem, is the one which threatens to make his prediction come true.

California highway checkers report to the State Division of Immigration and Housing that, at a given moment, some 180,000 families are living on wheels in that state alone. Florida and other southern states fill up with the migrant traffic more heavily in winter. The total number of migrant families near the bare subsistence level is estimated, on a ratio worked out by various state checks, to be about 400,000. With children, the total migrant population is believed to be near 2,000,000—and growing steadily!

These people pay their way by working at their trades, at odd jobs and in agricultural pursuits, the latter notably in California, Oregon, Arizona, Florida, and Texas. When the crops of one area have been harvested and work slows down, they proceed to points where work is available. They buy automobiles, parts, accessories and everything normal families require. Merchants are even now busy studying ways to obtain more of their trade.

"When they have an opportunity to remain a considerable time in one location with continuous work, the whole family," says a California labor adviser, "turns to rebuilding the trailer and making necessary repairs. Their aim is, of course, a fine commercially-built trailer, just as the objective of many

(Continued on page 94)



Modern trailer camps offer sanitary facilities, laundry tubs, shower baths, play rooms for children and even nurses in attendance. Below, a camp that just grew up proves inadequate in bad weather





Nine Men and Labor Relations

By BERNARD KILGORE

FIVE cases resulting from the National Labor Relations Board's efforts to interpret and enforce the act which created it have reached the Supreme Court. No matter what the decision, the situation will be improved

WIN OR LOSE, the National Labor Relations Board's battle before the U. S. Supreme Court to establish the constitutionality of the Labor Relations Act of 1935 seems almost certain to help clarify the federal Government's powers in the important field of industrial affairs.

As matters now stand, neither the Board, which is supposed to enforce the statute, nor the employers and employees, whose dealings are supposed to be regulated by it, have any clear idea as to its validity. An almost impossible situation, beset by litigation and confusion, has gradually resulted from its enactment.

A clear decision one way or the other should prove helpful. The test cases, therefore, should be of wide general interest to American business.

The Labor Relations Board has undertaken to apply the law to virtually all kinds of corporate enterprises, including manufacturing. Should the Supreme Court approve this broad interpretation of the act, organized labor will have reestablished, at least in part, the "Magna Charta" which was so enthusiastically—and prematurely—hailed in Section 7a of the National Industrial Recovery

Act. A decision of this sort might bring most of the field of capital-labor relationships within the orbit of congressional authority. Protection of labor's right to bargain collectively and under majority rule would then appear to have been definitely established as a duty of the federal Government.

Clarifying federal powers

A SWEEPING decision against the Labor Relations Act, on the other hand, would reemphasize the local character of employer-employee dealings, and put the leaders of organized labor right back where they started nearly four years ago in their fight to obtain federal assistance.

Even a limited decision, restricting application of the law's provisions to enterprises definitely engaged in interstate commerce, would represent a serious set-back to the labor groups because it would leave them without what they consider to be adequate aid in the important manufacturing fields.

It is likely that some kind of a Labor Relations Act decision will be handed down while the current session of Congress is at work. If the

Act stands up, the national legislature probably will be urged to approve certain "modifications" and "improvements." It is too early to decide whether any of these would be adopted, but their general effect would be to restrict further the independence of employers in dealing with their workers. If the act joins the NRA and the AAA in the judicial ash-can, labor union chieftains are prepared to demand a change in the Constitution itself.

Their tentative program, already made public, is so sweeping that it is difficult to see how President Roosevelt's direct support can be obtained. Yet the whole subject is a disturbing one at best.

Labor has both an "emergency" plan ready to shoot, and a long-range proposal to follow it up. The "emergency" scheme would undertake, by a simple act of Congress, to deprive the Supreme Court of its powers to pass on the constitutionality of all federal laws. It is doubtful, of course, whether this would work at all. But the second plan, if Congress and at least 36 states approved it, would result in a constitutional amendment giving Congress power to legislate on any subject unchecked by judicial review. In effect, such an amendment would destroy the line between federal and state powers by eliminating the Supreme Court's authority to enforce the constitutional provisions which draw that line.

The distinction between state and national authority is involved in every one of the five Labor Relations Act cases which had reached the Su-

preme Court by New Year's Day.

Predictions as to what the Supreme Court will do on any particular question are always hazardous, especially so when undertaken by a layman. It is perfectly safe to say, however, that most of the experts believe the National Labor Relations Act is headed for trouble. They necessarily base their views on past Supreme Court decisions, and not on their own personal interpretations of the Constitution or their personal opinions as to the social or economic desirability of the statute.

Arguments thus far presented in the first five cases the Supreme Court decided to review indicate that the relationship between labor disputes and interstate commerce is the most important element to be analyzed and determined. Congress hung the whole Labor Relations Act on one constitutional peg, and that peg was the so-called interstate commerce clause. This is the provision which gives the federal Government power "To regulate commerce . . . among the several states. . . ."

Drafters of the Labor Relations Law, in an unusually elaborate opening section, anticipated attacks such as are now being made. They set forth, as a national policy, the elimination of "the causes of certain substantial obstructions to the free flow of commerce" and explained at some length that industrial strife had the "effect of burdening or obstructing commerce." On the basis of this explanation and this policy, all the rest of the Act with its detailed collective bargaining provisions was officially presumed to represent a congressional plan "to regulate commerce . . . among the several states. . . ."

The Supreme Court ultimately will decide whether or not this amounts to mere legislative pretext for a federal excursion into a field of regulation reserved to the states by the Constitution. Every suit thus far filed in opposition to the Act has questioned its validity under the interstate commerce clause.

One of the most interesting Labor Relations Act cases which has gone as far as the Supreme Court is the Washington, Virginia and Maryland Coach Company appeal. The National Labor Relations Board ordered this company to "cease and desist" from alleged interference with the collective bargaining activities of its employees and to reinstate 18

employees allegedly discharged because of union activities.

A bus-operating enterprise, the company admits that it is engaged in interstate commerce. But it contends that, even so, the relations between it and its employees are not subject to congressional control.

Lawyers for the company raised four questions in the brief they filed with the Supreme Court.

1. Is the Labor Relations Act a valid exercise of the federal Government's commerce power?

2. Does the Act violate Article III of the Constitution by improperly delegating judicial power to the National Labor Relations Board?

3. Does the Act deprive the company of liberty or property without the due process of law guaranteed by the Fifth Amendment?

4. Does the Act violate the Seventh Amendment by depriving the company of its right to a trial by jury?

An interstate company's case

THIS is one of the most interesting of all the Labor Act cases because it is one of the few suits in which the opponent of the law admits it cannot fall back on the usual line of argument to the effect that its business is wholly *intrastate*. Assuming that this particular case is one of those on which the Supreme Court will hand down a final, formal opinion, it may settle the question of whether the relationship between employer and employee is a matter of "commerce among the several states" if the employer and his employees are engaged

in interstate activities such as bus-line operations.

The experts disagree violently on this particular point. Some of them say that, if a company is doing an interstate transportation business, its labor relations are certainly a matter of direct importance to interstate commerce, and that the Supreme Court said so in 1930 when it upheld the Railroad Labor Act of 1926 in the Texas and New Orleans case.

Others say that this is a mistaken interpretation—much too broad—and that the Supreme Court's decision in the Railway Pension case in 1935 plainly indicates that, even in the case of interstate railroads, labor relations are outside "the orbit of congressional power" except, perhaps, in unusual circumstances.

This is confusing. But, of course, if there were no disagreement about these matters the case probably would never have come before the Supreme Court.

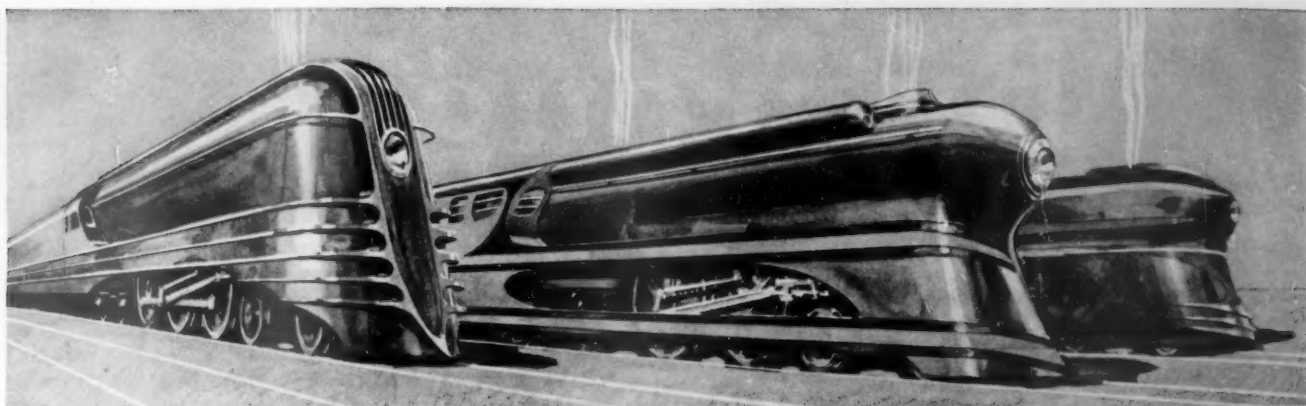
It is generally agreed, however, that, if the Government loses the Washington, Virginia and Maryland Coach Company case, it stands little chance of winning any of the other labor act suits. In each of the other four, the interstate character of the business itself is subject to debate.

The National Labor Relations Board ordered the Associated Press, for example, to reinstate an employee. In its plea for a review, the Associated Press contends that the employer-employee relationship does not directly affect interstate commerce and that, besides, the employee's work was not in interstate commerce or in the "throat" of such commerce.

The other three cases involve manufacturing companies—Jones & Laughlin Steel Corp., Fruehauf Trailer Co., and the Friedman-Harry Marks Clothing Co., Inc. The Supreme Court on many occasions has held manufacturing, as such, to be local, rather than interstate, commerce. Government lawyers, fighting in defense of the Labor Relations Act, are contending, however, that, since each one of these manufacturers buys materials outside its home state and sells finished products in other parts of the country, its operations are part of the "stream" or "flow" of interstate (Continued on page 112)



IF the law is upheld, protection of labor's right to bargain collectively and under majority rule will apparently have been definitely established as a duty of the federal Government



FROM "PORTRAITS OF THE IRON HORSE," PUBLISHED BY RAND McNALLY

The first job of locomotives like this is to attract attention, not to save fuel

Streamlines Cut Sales Resistance

By G. H. BURCK

FOR a long time you had to look hard to find anything very thrilling about the balance sheet of the average passenger train. More often than not it was the same hopeless story: 40 or 50 passengers who had shelled out a little more than two cents a mile each, against operating costs of a dollar and a quarter a mile, not counting the investment or the interest on the investment. Today, however, the story is not the same, and it surely isn't hopeless. Lower fares, greater comfort, higher speed and new styles have already effected a change, and a comfortable one it is.

Take, as a particularly exhilarating example, the case of the Milwaukee Road's streamlined *Hiawatha*, which rolls between Chicago and Minneapolis in both directions every day. Operating against the world's toughest competition—20 other daily passenger trains in each direction (three on its own fast schedule), several broad highways full of busses and private cars, and frequent plane service—it has averaged close to 750 paying passengers a day since it was inaugurated on May 29, 1935. This means, in cold cash, that about \$2.75 a mile is left after all charges have been met. And \$2.75 for each of 842 miles every day of 18 months totals about \$1,270,000 in clear profit.

There are any number of reasons for this superb record, but when you look at the *Hiawatha* you're looking at one of the biggest reasons of them all. Though it is powered by a conventional steam locomotive, you see only a great smooth mass of orange and silver at the head end of a smooth orange and maroon train of cars. No matter what judgment beholding it finally provokes within you, it has nailed your attention and made a permanent record in your consciousness. In other words, it has advertised itself. And that was precisely what the man who styled the locomotive intended it to do.

He is Otto Kuhler, and he was called in as consulting designer when the American Locomotive Company built the engine. As steam locomotives go, this one was both ordinary and extraordinary. It was a simple, two-cylinder affair, without new-fangled gadgets or devices; but



BLANK & STOLLER

Otto Kuhler

it was also an engine whose dimensions had been planned so that it could haul a fair-sized train at cruising speeds of 100 miles an hour. Kuhler's job was to translate the latter characteristic into an appearance which would sell it to a public which understands little and cares less about such things as greater boiler capacity and higher drivers.

The job fitted his own aspirations perfectly. One of the first, if not the first, to project the streamlining of railroad equipment, he had insisted that it was and always would be primarily a device for increasing the sales appeal of railroad transportation, and only secondarily as a means of speeding up and saving power. Anticipating scientific investigations into the subject of wind resistance, he had guessed at their figures and let it go at that.

Because, when all is said and done, the most scientifically designed passenger train in the world would be a complete flop if nobody rode in it, just as some of the most economically operated passenger trains have been flops because their very efficiency, expressed in the form of mammoth locomotives and slow, infrequent schedules, made them inconvenient to the people who were expected to ride in them. Efficiency in the railroad business, as in every other, has to be judged by its effect on the sale of the product.

And so, Kuhler pointed out, it actually would be better to design an inefficient engine if doing so would enhance its sales appeal. Fortunately, he is happy to report, good design and efficiency go hand in hand, and invariably a locomotive, like an automobile, is really better looking when it is aerodynamically correct.

As a matter of fact, the practical saving resulting from

Burroughs

SAVES TIME AND MONEY

in compiling figures required by the

SOCIAL SECURITY ACT

4
PAYROLL
RECORDS
IN
1
WRITING

1**THE PAYROLL**

The complete payroll and check register in one unit shows the gross pay, all deductions, and net pay for all employees. Separate totals for all columns accumulate automatically.

2**EARNINGS RECORD**

Complete individual progressive record for each employee shows time worked, gross earnings, deductions, and net pay for any and all periods. Provides information needed for old age benefits, unemployment insurance, and income tax reports.

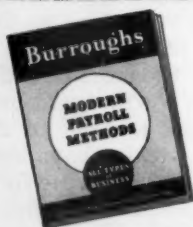
3**EMPLOYEE'S STATEMENT**

This receipt for deductions, which the law requires be given to each employee at each pay period, also shows the individual's gross earnings, all deductions, and net pay. It can be retained permanently by the employee.

4**PAY CHECK or pay envelope**

Since the check or pay envelope is written with the three above records, the amount is in perfect accord with these records.

• • •



**THIS
FOLDER
WILL HELP
YOU!**

MAIL THE COUPON

BURROUGHS ADDING MACHINE COMPANY
6002 Second Boulevard, Detroit, Michigan
Send me the new folder "Modern Payroll Methods"—which includes illustrations of forms for compiling figures required by the Federal Social Security Act.

Name

Type of Business

Address

To meet today's payroll accounting needs with a minimum of work and at low cost, Burroughs provides new machines, new features, new developments for writing the records described above. Concerns—large and small—in all lines of business—are benefiting by the speed, ease and economy with which one or several of these new Burroughs machines completely handle all payroll records. Investigate. For quick action, telephone your local Burroughs office or, if more convenient, mail the coupon or wire direct today.

streamlining a steam engine is highly doubtful. One railroad, for example, did a beautiful job on one of its 22-year-old standard passenger locomotives, but it had to add nearly 20 tons to the weight of engine and tender, and thus wiped out most of the savings ascribable to streamlining. Another road enclosed one of its machines in a streamlined shroud which increased its weight by some 23 tons.

But here's the point: even if these attempts had meant a hundred tons in added weight, they'd have been worth it. The attention they attracted has already been worth it; and the impression they'll go on creating will add up to thousands of dollars in good will. The aforementioned line has discovered that thousands of persons will flock down to the station to inspect the streamlined locomotive, and that hundreds still go out of their way to gaze at it. The average man sees what he sees, and not much else; and when he sees an engine that "looks like sump'n" his inevitable conclusion is that the railroad which owns it is "sump'n," too.

In such a fashion Kuhler has seen his ideas vindicated. Back in 1930, when hard-boiled railroad men considered him a harmless but slightly cracked picture-maker who was more interested in railroading than he had any right to be, things were not so. Operating departments and

he saw about him—to the steel mills, with their smoke and dirt and unsophisticated beauties. When he came to America, 14 years ago, he went to Pittsburgh and established his reputation in that field.

He tackled railroad subjects, not only out of necessity, but because he liked them. A great part of his output of etchings, water colors, and drawings was devoted to railroads. (He still paints railroads, and for the October NATION'S BUSINESS painted a striking view of a freight yard which was used as an illustration with a railroad article.) Out of such a preference came his theories about the necessity for restyling American railroad equipment.

Restyling the locomotive

BY 1928 he was fooling around with the idea of streamlining the locomotive. Not that many steam engines weren't good looking, he was willing to admit. Some of them, somehow, were extremely well proportioned, and despite or because of the "junk" which Britishers find so offensive on American locomotives, they often achieved a stark, impressive beauty which expressed their function capitally. Others were—and are—hump-backed, thick-necked, heavy-bottomed, long-nosed. But whatever they were, Kuhler decided, they needed restyling in a world which was being restyled, and whose inhabitants were acquiring the habit of judging a product and its maker by the way the product was put up and merchandised.

The idea of streamlining, of course, wasn't new; and neither was the idea of streamlining railroad equipment. A newspaper man named Frederick Upham Adams had spent a fortune on it, and had promoted a wind-splitting train which he tried out on the Baltimore & Ohio around the turn of the century. Long before that other visionaries had worked on the subject mentally. What's more, the whole business of wind-tunnel tests and power saving

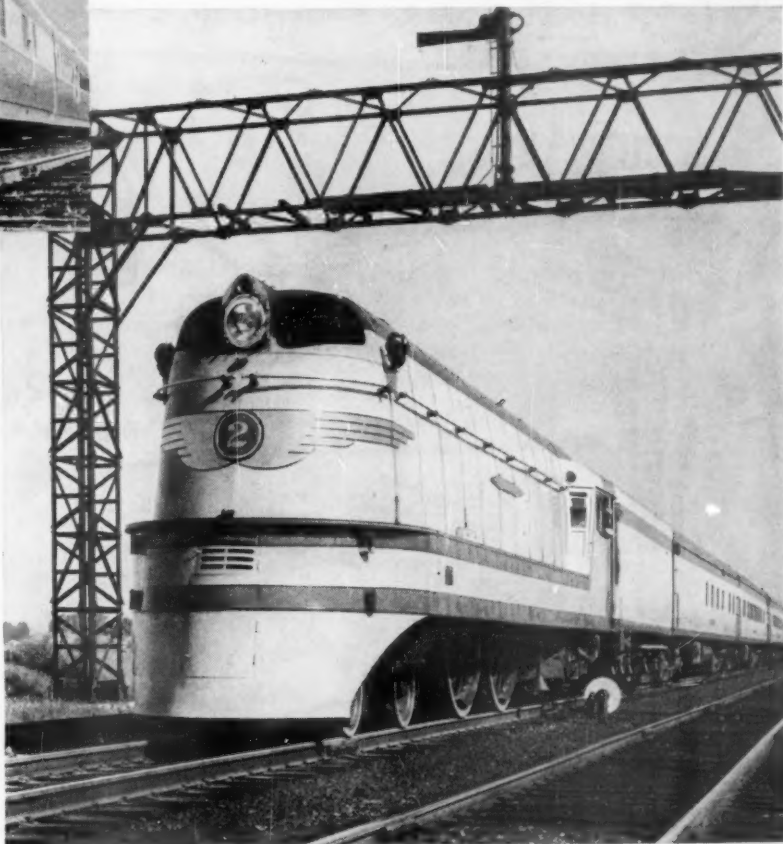


The Diesel-powered "Rebel" (above) and the steam "Hiawatha" have shown that people prefer impressive trains

traffic departments would have no truck with his projects.

But, although he was glad to be considered an artist, Kuhler also considered himself a railroad man, and, what few railroad men seemed to be, a darned good salesman to boot. His practical experience dated back to the time when he operated a German logging road in Belgium during the War; and his understanding of sales psychology to a forthright, realistic attitude toward things in general—an attitude, quite logically, which accounted for his career in what he calls industrial art.

Born and raised in the Ruhr, he confined his early ventures into drawing to the life



at high speeds was being pushed by experimenters just at the time Kuhler had completed his first designs. The difference was that they were all concerned with increasing the efficiency of motive power and rolling stock, whereas Kuhler was chiefly interested in developing appeal to the public.

At once he decided that no modern engine could be restyled by the make-shift of brass bands, flared smokestacks, figureheads or other such ornamental designs which were all the rage a half century ago, and he denounced the tendency toward them as absurd and anachronistic. On the other hand, he was not prepared to go the whole hog on aerodynamics. He knew it was one thing to design a locomotive shroud with the least possible wind resistance and another

thing to make it work in practice. Valve and driving gear, especially on high-speed engines, had to be immediately accessible, which they might not be under a completely streamlined hood. Anyway, he had a high regard for the natural shape of a locomotive, and hesitated about hiding its inherent good looks and personality.

Working with these somewhat contradictory concepts, he designed and redesigned until he had something which expressed what he was trying to do. It was a streamline design whose purpose was to increase the sales appeal of a standard Hudson type passenger locomotive. It made use of speed lines which extended the length of engine and tender, stainless steel discs on the driv-

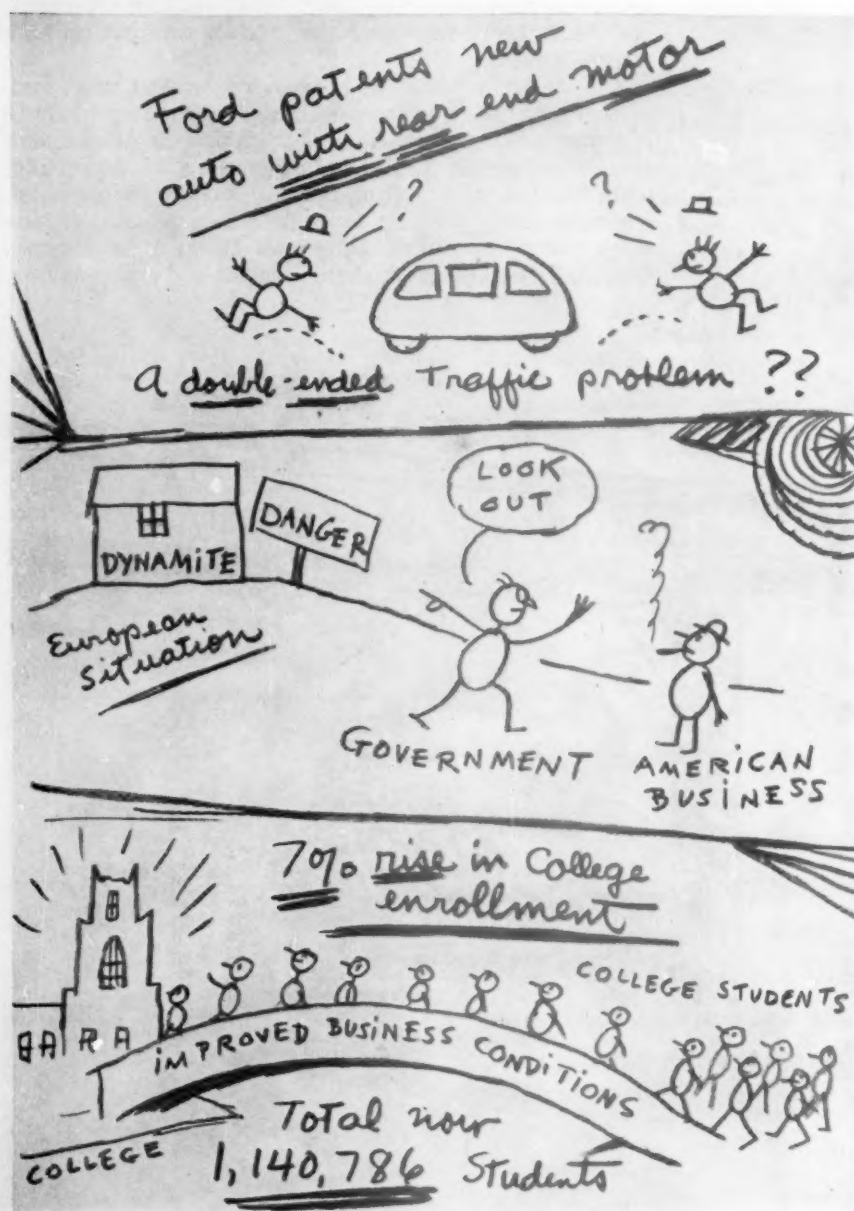
ing wheels, a shroud which smoothed down but did not obliterate the original lines of the machine and which permitted easy access to the driving gear, and a bullet nose to heighten the effect of speed and break the heavy-jowled effect of a straight line from boiler top to track.

Well, seven years is a long time in a world of changing styles, but this design, though it has never been used as is, remains sensible and fetching.

But the railroads were apathetic. Retrenchment was the order of the day, and they didn't see how they could retrench by spending money to hang useless junk on their locomotives, or how messing around with them was going to improve business. And so they summoned up the old sales resistance, even to new sales methods.

Something new in railroading

From a Business Man's Scratch Pad . . . No. 10



THEN came the Diesel engine, which could be mounted in a shell of any shape, and whose virtues and faults both lent it to installation in streamlined, lightweight trains. The success of these trains from a revenue standpoint is a matter of history. And their success is due more than anything to their appearance. Plenty of old-fashioned trains could and can equal their speed and comfort, but few if any can attract customers as they do. To the average man they stand for a new era in transportation; they stick in his mind, and they're even altering his belief that the railroads are old and out-moded and done for.

Finally, through Kuhler's own efforts and the early success of trains which were styled in modern fashion, railroad and equipment men began to realize there was something to this streamlining business.

And so, when the Milwaukee decided to use a medium-weight steam train between Chicago and Minneapolis, Otto Kuhler was asked to suggest ways of styling the train.

Appropriately enough, Kuhler was also given the job of styling by the American Car & Foundry Co., what jestingly has been called the world's slowest streamlined train, the Diesel-powered *Rebel* of the Gulf, Mobile & Northern. Operating between Jackson, Tenn., and New Orleans on a local, stop-punctuated schedule slower than that of many commuting trains, it has nevertheless been so successful that the G. M. & N. has decided it needs another like it. Once again, style and all that goes with it and all that it stands for have manifested themselves in greater revenues.

Kuhler's interests haven't been (Continued on page 74)

Income and Outgo



"My other piece of advice, Copperfield, you know. Annual income twenty pounds, annual expenditure, nineteen nineteen six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery."

—Dickens' Micawber advising his young friend, David Copperfield.

WHAT happened to last month's salary? It went—but where did it go? If you want to keep a check on your expenditures, put next month's salary on a budget basis. A budget will tell you just where your money is going, *before it goes instead of afterwards.*

Planning ahead is the surest way of getting ahead—and getting the most out of your income should be an important part of your budget plans. You may find that by budgeting you can do things you never dreamed possible with your income.

Every budget should include life insurance. You can get the most out of this item in your budget through a carefully planned program that will protect your family and safeguard your old age. Then if anything happens to you, your life insurance will provide the backbone of your family's budget and take care of necessary items such as food, clothing, shelter and education.

A Metropolitan Field-Man is trained to help you plan your

Life Insurance Program. Telephone to him or mail the coupon.

The Metropolitan issues life insurance in the usual standard forms, individual and group, in large and small amounts. It also issues annuities and accident and health policies.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

Metropolitan Life Insurance Company
1 Madison Ave., New York, N. Y.

Without obligation on my part, I would like to have information regarding a Life Insurance Program to meet my needs.

NAME _____
ADDRESS _____
CITY _____ STATE _____

27-N



METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER
Chairman of the Board

ONE MADISON AVENUE, NEW YORK, N. Y.
Copyright, 1937, by Metropolitan Life Insurance Company

LEROY A. LINCOLN
President

No Business Can Escape Change

**New competitors and new aids—
change, without surcease, brings
them both to business**

1 • FISHERMEN ARE now offered boxes of a transparent plastic for their flies and lures. Divided into compartments, they keep the bait separated and allow hasty trouble-free inspection. . . .

2 • CHIPPED ICE from a faucet is made possible by a small counter machine which chips or shaves ice as needed when a glass is pressed against the control lever. For the device is claimed sanitation, convenience, and ice that chills more quickly. . . .

3 • A NEW check endorser is not only automatic and portable but also may be fitted onto the delivery end of Recordak equipment to allow photographing and endorsing in one continuous operation. . . .

4 • A GALVANIZED sheet is now made with a special paint-holding finish. It has a full weight zinc coating, good mechanical adhesion, and chemical neutrality that retards aging of paint. . . .

5 • LOOSE CHAIR rungs or legs and the like may be conveniently fastened by spring steel inserts. Barbed prongs bite firmly into both surfaces to be held together. . . .

6 • A MACHINE for splicing and rewinding paper is said to save time in the pressroom as well as paper by rewinding butts into a continuous roll after forming splices that will run at top speed through presses. . . .

7 • A NEW line of initial buttons for shirts and other apparel is made of a cast resinoid recessed so that a metal initial may be snapped permanently into place by a sales clerk. They offer attractiveness as well as obvious savings in retail inventories. . . .

8 • TO PREVENT freeze-ups on air lines there is now a liquid which is vaporized and fed into the line as a dry gas. Valves automatically reduce the amount used when load is reduced. The gas is said to be harmless, odorless. . . .

9 • A NOVEL portable golf hole for indoor putters is, one might say, upside down. The ball is held in, when properly putted, by a fringe on the lower edge of a hemisphere which in turn is suspended on a small stand. The fringe bends inward easily, outward less easily. . . .

10 • A NEW anti-corrosion product for steam systems volatilizes with the steam, condenses with the condensate, offering protection throughout the whole cycle of steam. . . .

11 • TRACK-LAYING tractors are now available with a solid rubber endless traction belt. They offer savings in power, higher speeds, resistance to abrasion in sandy soil and less damage to roads. . . .

12 • A NEW cap for bottles can be loosened or tightened with only one-eighth turn. It's particularly recommended for the bar trade or other places requiring time-saving bottle openers. . . .

13 • AN EASILY portable device counts vehicular traffic and prints the total every hour. Unaffected by weather, it will operate eight days without attention. . . .

14 • TWICE THE ordinary life is claimed for a new incandescent lamp with two filaments. When the first filament burns out, a small automatic switch built inside the bulb puts the second filament into operation. . . .

15 • A NEW booster voltage regulator maintains near constant output voltage with varying input voltage, has no moving parts, no appreciable wave distortion or phase displacement. It is particularly useful for supplying laboratories, sound systems, and battery chargers. . . .

16 • A TYPEWRITER paper is now made with a new surface that permits smooth erasures quickly and easily with even a soft pencil eraser. Saves time and nerves of typists. . . .

17 • A NEW device for chemical analysis makes it possible to detect as little as two millionths of a gram of material present in a 25 cubic centimeter sample. It is basically a spectrophotometer in which a photoelectric tube has been substituted for the human eye. . . .

18 • A PORTABLE light-weight radio transmitter and receiver is capable of maintaining communication over 150 miles. It is powered by a 25 pound gasoline engine driven alternator. Designed as a telephone transmitter-receiver, it may be adapted for telegraphy. . . .

19 • A LIGHT-WEIGHT pyrometer utilizes a pistol grip with dial above it, aluminum extension tube, flexible connection to the thermocouple, and an adjustment that makes calibration easy. . . .



23 • POKER CHIPS have now been adapted for bridge scoring. The score is easy to keep, and it's visible to every player. . . .

20 • AN EASILY portable electric device for cleaning beer coils has been developed. It utilizes a method of scouring with rock crystals and sponges—no acids, steam or chemicals. . . .

21 • THE HOMELY oil can becomes comely in a new leak-proof model resembling a fountain pen and bearing a pocket clip for easy carrying. It has a visible oil supply, the reservoir is constructed of a non-breaking plastic. It measures one-tenth drop or multiples. . . .

22 • A BLADE for windshield wipers is said to remove ice from the windshield and prevent sleet from forming. An ingredient built inside the blade does the trick. It's easy to remove the regular blade and substitute the ice-resisting one. . . .

—WILLARD L. HAMMER

EDITOR'S NOTE—This material is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business news into our offices in Washington. Further information on any of these items can be had by writing us.

MEASURES JUST $2 \times 2\frac{5}{8} \times 4\frac{1}{2}$

YET IT'S ONE OF THE

**NEW CUTLER-HAMMER
FRACTIONAL HORSEPOWER
DRUM CONTROLLERS**

FOR SINGLE- AND MULTI-SPEED MOTORS



Once more, the Cutler-Hammer engineering staff sets the pace in control design—this time with a new line of drum controllers for fractional h.p. motors—and each controller is approximately one-fourth the size of any present controller doing equivalent work. Yet in these remarkable new units all the famous features of Cutler-Hammer Drum Controller design found in the huge C-H Drum Controllers used for the heaviest duties in industry (non-stubbing fingers, renewable contacts, insulated cylinder, etc.) are retained.

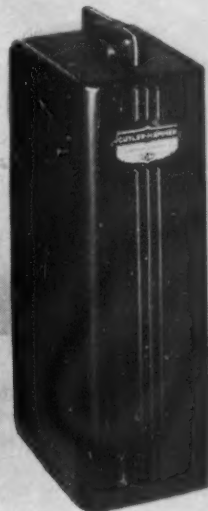
New design, new construction make this startling reduction of size possible—and greatly extend the field of application. These drum controllers fit any fractional h.p. motor, whether for home, workshop, household utilities, or for mill, shop and factory. See these controllers at once, so that you can start thinking in terms of their new usefulness. CUTLER-HAMMER, Inc., Pioneer Manufacturers of Electric Control Apparatus, 1251 St. Paul Ave., Milwaukee, Wisconsin.



$\frac{3}{4}$ h.p. 110-550 Volts



**Bulletin 9441—Single Speed
Reversing Drum Controller**



**Bulletin 9402—2-Speed
Drum Controller**



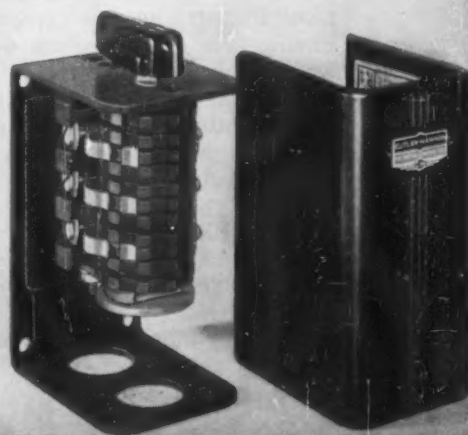
**Bulletin 9402—4-Speed
Drum Controller**

"AIR STYLED"

For Modern Machines

**Bulletin 9441—Single Speed
Reversing Controller shown
at right**

Note easy access for wiring. Terminals out in front. Rugged construction. Contacts easily replaced. Available for flush mounting. All types arranged for conduit wiring. List price \$4.00. Other sizes in proportion.



The question is whether retailers are going to do the house-cleaning themselves or wait until the Government does it for them



The "Forgotten Men" of Commerce

By BENJAMIN H. NAMM

President, the Namm Store

THE RECENT decision of the Supreme Court in upholding the constitutionality of the California and Illinois "fair trade acts" should waken retailers to the necessity for taking customers into their confidence. Retailers can expect relief from this type of governmental regulation only when the customers have an accurate knowledge of what price-fixing will do to the cost of living.

There is no doubt that the entire retail industry needs a vigorous overhauling and we retailers ourselves are responsible for letting it go so long without a renovating. It is true that predatory price-cutting is one of the worst evils that we have allowed to exist, but price-fixing as a cure for predatory price-cutting is far worse than the disease itself.

Unless merchants want to be bound hand and foot and become mere slot machines for the distribution of goods, they must find some means of

A SUCCESSFUL merchant offers a program which, in his opinion, will stop the flood of laws designed to restrict retailers and at the same time enable store operators to do a better job for themselves, their customers, their suppliers and their workers

cleaning up their house before government rips out the interior and refills it with all kinds of partitions and barriers. If the retailer will only join hands with the consumer, he will find the latter a friendly ally in helping to turn back this invasion of governmental "fixers."

Retail distribution is our third largest industry. It ranks next to agriculture and manufacturing. Its annual volume exceeds \$30,000,000,000. It serves as a universal provider for more than 100,000,000 consumers. Retailing could, if properly motivated, make a tremendous contribution

to the economic welfare of the country.

The trouble is that retailers have no generally accepted program.

Without a program, the retailer will continue to be the "forgotten man" of commerce. He will continue to suffer from trade abuses, from unjust taxation and from discriminatory legislation. He will

find himself confronted more and more with harsh measures designed to penalize his efficiency, circumscribe his initiative and place him in a sort of statutory strait-jacket.

It is common knowledge that retail distribution is full of unfair and unwelcome trade practices. If these practices were made the subject of a referendum, I feel sure that merchants throughout the land would vote almost unanimously to outlaw them.

The question is whether retailers are going to do the house-cleaning job themselves or wait until the Gov-

2³/₄ MILLION ITEMS CHECKED EACH MONTH



*"quickly, accurately,
and without confusion"*

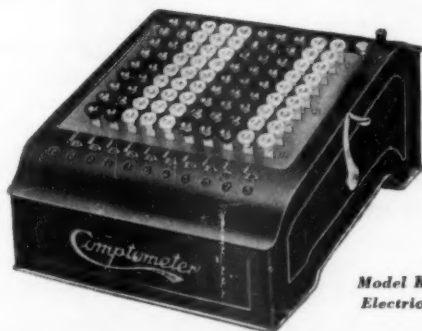
THE S. S. Kresge Company, with general offices at Detroit, Michigan, handles one of industry's most voluminous accounting jobs — and provides another tribute to "Comptometer" methods:

"In our centralized 'Comptometer' Department," states Kresge's Office Manager, "we check the invoices for our entire organization, which operates a chain of approximately 700 retail stores. Every month we check approximately 500,000 invoices, each averaging 5½ items. Truly, a tremendous undertaking.

"Yet this entire job is handled on 18 Model K Electric 'Comptometers' with trained operators. It is done quickly, accurately, and without confusion — thanks to the modern high-speed 'Comptometer.'

"'Comptometers' are also used effectively in other divisions of our accounting, on such work as billing, purchasing, statistical and general accounting."

That's convincing testimony. Yet the "Comptometer" handles less imposing figure-work jobs just as efficiently — solves the largest or the smallest accounting problem "quickly, accurately, and without confusion."



Model K
Electric

If you recognize the need for more rapid, accurate and economical accounting methods in your own business — especially in view of recent Social Security legislation — telephone the "Comptometer" representative in your district, or write direct to Felt & Tarrant Mfg. Co., 1712 N. Paulina St., Chicago, Ill.

COMPTOMETER

Reg. U. S. Pat. Off.

ernment does it for them. Self-regulation is infinitely preferable to governmental regulation. The latter tends to destroy initiative and to create bureaucracy. This country could never have attained its present eminence if, instead of opportunity and reasonable latitude, business men had been given governmental edicts and legislative flats.

The first step in this house-cleaning job is to abolish these unfair trade practices which have increased overhead, fostered labor unrest and opened the door for enactment of unsound and uneconomic legislation.

Let us have no cloak-room whisperings or soft-pedal murmurings in acknowledging the existence of unfair trade practices. Let us post boldly on the bulletin board such practices as predatory price-cutting, misleading advertising and labor chiseling. Let our friends and enemies know that we are conscious of faults and intend to obliterate them.

Every merchant knows that predatory price-cutting is rampant. A merchant who wishes to protect his customers by meeting price-competition finds himself obliged to sell hundreds of items at or below invoice cost, with no allowance for clerk-hire, rent, advertising, delivery or any other expense. Witness the recent "sale" by a well known department store of the season's best selling book, "Gone With the Wind." This book retails regularly for \$3.00. The lowest wholesale price is \$1.80. The store in question, however, sold these books for as little as 69 cents.

High cost of selling

IT IS difficult to determine how much this relentless price-warfare adds to the already high cost of distributing merchandise. But it helps to explain why more than one-third of all departments in the average department store lose money. It helps to explain why the average department store in this country has a higher overhead, by 50 per cent, than similar stores in London, England.

As a remedy for predatory price-cutting I have long advocated the principle of "loss-limitation." But don't ever confuse this principle with "price-fixing." "Loss-limitation" merely provides a safety-point below which competition must not go. That safety-point should represent approx-

imately the net invoice cost of merchandise plus an allowance, not to exceed ten per cent, to cover labor costs.

In this connection it must be remembered that ruthless price-cutting inevitably begets equally ruthless wage-cutting, with the eventual destruction of consumer purchasing power. As for the enforcement of such a loss-limitation provision, I put my faith in the potent power of a crystalized, enlightened public opinion.

Every merchant knows that retail advertising is replete with extravagant statements and unfair underselling claims. In many cities the situation has become one of ascertaining who can shout the loudest. A vast number of consumers now say with disdain: "Oh! That's just another advertisement."

If consumers are tired of exaggeration and fiction in advertising and want to go on a diet of truth, let's take stock and see the kind of service that stores are giving them in this respect.

Here are a few headlines taken at random from newspaper advertise-

One Day Only! We Are Doing Miracles Again

These headlines all appeared in important newspapers. You can find headlines like them in the leading newspapers of almost every town and city. They are not inserted by small, irresponsible stores. On the contrary, they are inserted by stores which rank among the foremost and most influential in the country.

Higher standards are needed

OF course retailers have "tried" to stamp out misleading advertising. They have given hearty support to Better Business Bureaus and they have subscribed to the admirable fair-practice standards promulgated by these Bureaus. But retailers have failed in one vital respect. They have failed to induce the majority of their advertising media to join with them in upholding these standards. Without such support, there never can be and never will be such a thing as truth-in-advertising. Lacking this support at present, advertising is drifting closer and closer toward government censorship and woe betide the day when all advertisements must be made subject, before publication, to the whim and caprice of some political office-holder.

As for a remedy, I propose that all advertising copy be made to conform to the fair practice standards set by the Better Business Bureaus and that advertising media join forces to police the situation by writing these standards into every advertising contract.

Every merchant knows that working conditions in many retail establishments are sub-standard. In my city, the department stores have adopted a 44 to 45 hour work-week, along with a fair minimum wage.

They have done better than the state law which permits a 48 hour work-week for women in mercantile establishments.

On the other hand, a vast number of the neighborhood and specialty stores in our city (which do 85 per cent of the total business) consistently work their employees from 48 to 70 hours a week, with no increase in pay. It stands to reason that the department stores cannot continue indefinitely to meet this form of unfair

(Continued on page 98)



In many cities advertising has become merely a question of who can shout the loudest

ments of several department stores.

Our Store Is The Thrift Center Of The U. S. A.

Come Here For The Savings Thrill Of Your Life

Rush! Because You Will Never Get An Opportunity Like This Again

This Item—Never Before Priced So Low

We Stage A Spectacle Such As Your Eyes Have Never Seen Before

Once-In-A-Lifetime Values That You Will Remember Forever

THESE LEADING MERCHANTS select

Carrier Air Conditioning



Detroit's big news! In 1924 Hudson's airconditioned the basement, street floor, mezzanine. Three times air conditioning has been extended. When the present Carrier equipment is installed, it will be the largest cooling system in the world.

Boston gets hot! But Bostonians are never bothered even on the hottest days, as long as they're shopping in Carrier Air Conditioned Filene's. Employees keep fit, too.



A lesson from New Orleans. Heat and humidity are likely to soar almost any day in New Orleans. But not in the Maison Blanche, thanks to the benefits of air conditioning.

Even Los Angeles' ideal climate is improved by Carrier, and Californians flock to Carrier Air Conditioned Bullock's where they enjoy properly humidified, cleaned, tempered, healthful air, day in, day out, every season of the year.

Macy's, of course! This famous store, ever on the alert, was one of the first to see the value of Carrier Air Conditioning.

CONSIDER what Carrier Air Conditioning is doing for these stores. It is attracting customers . . . reducing soilage . . . adding to prestige . . . eliminating unprofitable areas . . . stopping summer slump . . . making employees happy . . . keeping executives efficient . . . reducing cleaning and decorating costs . . . giving continuous advertising. And Carrier Air Conditioning can bring its many benefits to *your* store, your factory, your home . . . give clean properly humidified, gently circulated air in summer and all year 'round.

Carrier Air Conditioning can be installed now during the low activity period, without interrupting your daily

operation; or while remodeling is being carried forward; or before costs are influenced by a further rise in prices.

Carrier engineers—the men who have accomplished such outstanding installations as those in Radio City, the U. S. Capitol, the Queen Mary, the Waldorf-Astoria—are prepared to work with you, to plan with you, to make the air conditioning installation best suited to your needs.

Take the first step now, toward a more comfortable, cheerful, and efficient office, factory, or store—and toward a happier home. Mail the coupon NOW. See what Carrier Air Conditioning can do for *you*, your business, your family, in 1937 and through the years to come.



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☐ office; ☐ factory; ☐ home.

NAME.....

ADDRESS.....

CITY.....

STATE.....

Business Highlights and Sidelights . . .

Varieties of Tax Administration

ADMINISTRATION of state taxes is practiced in a wide range of variations. From one to six separate agencies in each state administer ten of the important state taxes—inheritance, personal and corporate income, public utilities, sales, motor vehicle license and fuel, tobacco, liquor and severance taxes.

Only seven states give to a single agency the responsibility for administering these taxes. They are: Alabama, Kentucky, New York, North Carolina, Pennsylvania, Rhode Island and Utah. Pennsylvania has a Superintendent of Revenue; Rhode Island, a Director of Taxation; Kentucky, a Department of Revenue; and North Carolina, a Commissioner of Revenue. In Kentucky, by recent reorganization of the state department, the Commissioner of Revenue heads the Department of Revenue and is also chairman of the State Tax Commission.

While Rhode Island has only one tax-administration agency, Delaware—its companion state in size—has six agencies, or one for each type of tax levied. Nebraska also lists one agency each for each of four taxes. Missouri has six tax-administration agencies, in charge of eight kinds of taxes.

According to *State Government*, the diversity of responsible agencies existing in most of the states "indicates the lack of centralization which often accompanies the taxing function." It is agreed, says the magazine, that "no less than every other administrative system, tax administration should be based on the principle of definite lodgment of responsibility."

States Sing Their Praises

SPECIAL state promotion services to make the recreational advantages of the state known to prospective visitors have been developed in Massachusetts, Oregon, Rhode Island and Washington through their secretaries of state. Oregon's "Sell Oregon" movement has been a cooperative effort of the Oregon State Motor Association, the press, the travel and information bureau of the State Highway Department, and the secretary of state. Recently the envelopes of all Department of State stationery have been decorated with reproductions of beauty spots in the state. Effectiveness of the campaign is being checked by registering every out-of-state vehicle at the state line. The Rhode Island legislature appropriated \$12,000 for a campaign to interest summer vacationists this year and inquiries resulted from such distant points as England, Venezuela and Portugal.

Among the other states that main-

tain information departments are: Connecticut, Florida, Idaho, Maine, Minnesota, Montana, New Hampshire, New Mexico, New York, Texas, Vermont, Virginia and Wisconsin. Most of the states began their promotional activity in 1935. Maine spent \$30,000 that year and repeated the appropriation last year; New York made an appropriation of \$60,000 in 1935, and renewed the grant this year. New Mexico, which created a State Tourist Bureau as a part of the State Highway Department in 1935, and spent \$50,000 to spread information, reported a total of 2,705,625 tourists, who spent on an average nearly \$20 each in the state. This state's appropriation was also repeated for 1936. In 1936 Florida made up a fund totalling \$67,000 for the governor's All-Florida committee. Texas put up half a million for the 1936 Centennial. Other states, among them California, are expected to present proposals for state promotion campaigns in their 1937 legislative sessions.

Cost of Public Servants

CAN local governments afford to go without the services of competent personnel technicians to hire, classify and train their employees? Comparing total expenditures of half a dozen cities with the amounts spent on wages and salaries of employees, the Civil Service Assembly of the United States and Canada found that the average expenditure for employee services made by these cities was approximately 62 per cent of their entire annual budgets for municipal services. In Saginaw, Mich., the figure was 52.7 per cent; in Ft. Worth, Tex., and Los Angeles, it was 59 per cent; in Dallas, 60 per cent; in Cincinnati, 63.39 per cent.

In Fort Wayne, Ind., 78 per cent of the whole budget went for wages and salaries of city employees. Eighty-seven per cent of the annual school appropriation goes for this purpose, while new equipment and fixed charges amount to about 2½ per cent, and coal and fuel to heat the buildings, to ten per cent. Other departments of the government—public health, public safety, public works and finance—spend approximately 80 per cent of their money for employee services.

With salaries and wages for employees making up such a large percentage of city government costs, G. Lyle Belsley, executive director of the Civil Service Assembly, sees financial advantage to cities in establishing a merit system.

A true merit system applies the methods of the most efficiently operated businesses. It advertises widely to get the best applicants for positions. It employs

the best qualified man for the job, regardless of whether he is a "home town boy," and gives him special retraining courses. It rewards the successful and best employees through pay raises and promotions and eliminates the unfit and weak through carefully analyzed service ratings. Through adequate, actuarially sound pension plans it insures the security of the employee so that he is content to give all his service to the city.

Light on Vacant Houses

TO discover the true state of the housing market is a problem with roots in every community. Tabulation of empty dwellings does not tell the whole story. Knowing how housing vacancies are changing, in terms of the types of buildings and the rental value of the living units, would provide factual basis for public and private procedure.

"Although the activities of the past few years have educated many people in the need for reliable measures of the housing market," comments Coleman Woodbury, executive director of the National Association of Housing Officials, "the available information is still scattered. Worse still, little of it is collected periodically. Surveys made for particular developments or programs soon become out-dated on many significant points."

Abnormal vacancies of the depression have disappeared, he adds, and in many cities the ordinary reserve of houses is rapidly being used up. Families that have been living with relatives are "undoubling"; others are seeking larger quarters. General vacancy percentages are useful warnings, he concludes, but they cover up too many important variations to be really useful in determining the steps necessary to meet developing conditions. Only when the information indicates which economic classes are short of houses, is it possible to plan for how many and for whom to build dwellings.

A Dubious Compliment

IF the citizen were permitted to shop around for the services which are provided through taxation, it would be possible to know whether public or private services could give him better values for his money. Any way the aggregate of \$1,300,000,000 collected annually from New Yorkers is viewed, it is a figure to invite exploration.

Looking into it in comparison with 12 other major cities, the Merchants Association reports that New York's police department costs \$7.20 a head a year; Boston, second highest, costs \$6.20, and Cleveland only \$3.42. Fire Department maintenance takes \$3.02 a head against \$1.75 for Chicago. New York's *per capita* costs for health, sanitation, charities, schools, general administration and highways are all greater than the weighted average cost in the 12 other cities; on libraries and recreation alone, does New York spend less than the others. Outstanding revelation of the comparison is that municipal government in New York costs more *per capita* than in other large



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WEST ORANGE, N. J., U.S.A.

cities, and has risen more rapidly *per capita* since 1926.

It may be, of course, that the showing of higher taxes argues greater local opportunities for making money rather than greater burdens.

Conceding that local pride might be able to turn the situation into compliment, there would still be opportunity to serve the public interest through measurement of the costs of government by the usefulness of services performed. Surely the citizen has ground for expecting efficiency in public administration to carry beyond the collection of its wherewithal.

Roofrees on the Rise

NEW home construction in 1937, exclusive of rural sections, should approximate 400,000 new units, still below normal requirements but an increase of about 40 per cent over 1936. Rising national income with continued favorable interest rates will provide an attractive "buyers' market" for prospective home-builders. So believes the Mortgage Bankers Association of America. According to George H. Patterson, secretary of the Association:

Rents and real estate values will certainly continue their rise, the former probably gaining a little momentum because, as business continues to improve, the demand for more housing becomes greater, hence enhancing the rental values of that already available. Building costs will rise, as a recent nationwide survey by our Association showed,

but not to such an extent that new construction will be seriously retarded.

A majority of the country's private mortgage lenders will continue to deplore government participation in their business through the FHA, feeling that the worst of our national economic emergency is over and that private lenders are well able and willing to supply the country's mortgage money needs in any amount and on favorable terms.

Proposals to create regional mortgage discount banks, continuation of FHA's insurance guarantee after July, 1937, and certain potentialities embodied in the proposed Wagner housing legislation constitute the three most unfavorable possibilities clouding the mortgage banking picture for 1937—a picture which otherwise would be the most hopeful of any seen in this country in more than a decade.

Britain Outbuilds U. S.

WITH one-third the population, England and Wales built nearly four times as many homes in the depression years, 1930 to 1935, as did the United States, and the most significant increase in building was made in 1934 after all government subsidies, other than those for slum clearance and rehousing of displaced workers, were abolished in 1933, according to a comparative study made by George H. Patterson, secretary of the Mortgage Bankers Association of America.

In the six years from 1930 to 1935 England and Wales built 1,406,725 new family dwellings. In the same period the United States built only 349,000. Of the

1,406,725 British homes, more than a million were built by private enterprise with no aid from the Government, the survey said. In 1936 England and Wales built about 320,000 homes compared with only about 120,000 homes in the United States.

Important also, the survey rated its conclusion that in the past six years private initiative, with no state aid, accounted for more than two-thirds of the houses built in England and Wales. "While conditions affecting home building and home financing are different here from in England it is not illogical to believe," it said, "that, with our present business recovery, private initiative in the United States could more nearly equal England's record were government competition in mortgage lending removed."

British building societies were reported as lending from 70 per cent to 75 per cent of the appraised value of the property and sometimes lending 15 per cent to 20 per cent more than this if a deposit-guarantee by the builder is made or insurance issued to cover this excess amount.

To quote the survey, "this practice seems to be the closest approach to the operations under our National Housing Act providing for insurance of the entire loan. Yet with no such guarantees by the central British Government, private initiative has gone ahead, and of the three million new dwellings built in England and Wales since Armistice, one-half have been built with no government aid."

Mule Power in Demand

WHERE the mule stands as a prime mover is difficult to define by the measure of horsepower. That mules are in active demand abroad and at home is disclosed by Frost Sparks of the Sparks Horse & Mule Company, East St. Louis, Illinois. Said Mr. Sparks:

"Big mules, weighing from 1,500 to 1,600 pounds, are being bought for farm use in Germany, and smaller mules, averaging around 1,000 pounds, are being bought for army use there. We have shipped 450 head recently and are exporting about 80 head per week via New York.

"Of course, these shipments to Germany are only a drop in the bucket compared with the demand for mules in this country. Arkansas, Louisiana, Mississippi, Alabama, Georgia, Florida and North and South Carolina will need to buy more than 195,000 mules before the next work season starts, for they raise very few and their replacement needs are heavy.

"North Carolina tobacco planters buy the choicest mules today. These stand about 62 inches high and weigh from 1,100 to 1,200 pounds. Good cotton mules going to the Carolinas and Georgia are the next best, and these range from 900 to 1,200 pounds. Those most desired are from 61 to 62 inches high and weigh from 1,000 to 1,100 pounds.

"Mules are purchased by shippers mainly in Illinois, Iowa, Missouri, Nebraska, Kansas, Minnesota and North and

South Dakota, though some come from California, Oregon and Colorado. They are shipped to East St. Louis and other great terminal markets, where they are resold, usually at auction, to dealers from the Southeastern states, who ship them south and dispose of them to small dealers or direct to plantation owners. Prices are from \$10 to \$40 a head higher than three years ago."



HORYDCZAK

Price Discrimination Needs Discretion

WHEN a manufacturer, wholesaler, lawyer, editor, retailer, trade association executive, mail order house executive, and seven other representatives of various types of enterprise can agree on any one effect or feature of the Robinson-Patman Act, it is news.

Fourteen out of 15 members of the United States Chamber of Commerce's Special Committee on Prices in Distribution have come to such an agreement.* They believe that the Robinson-Patman Act as an amendment to the Clayton Act will make the triple damage penalty of the latter a far more serious threat in business transactions than it has ever been before. The greater danger exists now because of the added uncertainty as to whether or not the seller is violating the law. Even though he has legal opinion that his transactions comply with provisions of the Robinson-Patman Act, the Court may decree to the contrary at some future date. The seller may then become liable for triple damages on every similar transaction he has made since the day the Robinson-Patman Act became law.

Doubtful transactions

UNDER the Robinson-Patman Act a stocking wholesaler may sell stockings to Customer A for 60 cents and to Customer B, who buys in large quantity, for 55 cents. He may feel justified because of a smaller handling charge on the larger order and believe that he can actually show a saving in his accounting. He might also believe that the two merchants are *not* competitors.

But Customer A, feeling aggrieved, can bring his charges before the Federal Trade Commission who might, after hearings, issue a cease and desist order. Both Customer B and the wholesaler are then subject to the cost of suit and attorney's fee, plus triple damages for every transaction that has taken place since the Robinson-Patman Act became law. Merchants should note that buyer as well as seller may be liable for prosecution under this Act.

The Chamber's Committee points out that the disturbing feature of this provision is that it may be several years before the U. S. Supreme

Court finally decides the case. If the defendant loses, he must pay three times the difference between the two prices—in this case, it would be 15 cents for every pair of stockings delivered to Customer A in three years. The Committee asks that the Clayton Act be changed to permit damages only after the Federal Trade Commission, with concurrence from the courts, has made its decision.

Such an amendment would leave fully operative not only the procedure of the Federal Trade Commission, but authority for the Department of Justice to ask the federal courts for an injunction, if circumstances appear to warrant such action, and opportunity for anyone who feels aggrieved to seek an injunction by private suit against unlawful practices.

Business finds it difficult to adjust practices to the requirements of the Robinson-Patman Act because of the variety of interpretations which are placed upon its meaning and because it may require methods of selling and buying in decided contrast to those which have been generally followed in the past.

The basic theory of the Robinson-Patman Act, according to the Committee, is that all competing customers shall receive equal treatment. It allows for difference in price only to the extent that the seller can show provable savings when he permits one customer to buy his goods cheaper than a competitor. A discount for quantity sales is a good example.

This ban on price differentials to various customers may force the seller to adopt a wholly new theory of price-making. In the past a seller has been at least partially governed by the desirability of getting and holding certain customers. He has considered the buyer's credit position; his importance as an outlet; the competitive situation; his own volume needs at the time the business was sought; the length of time the buyer has been a customer; the loyalty of the customer; the aggressiveness with which he merchandises; his equipment for selling; the influence which having one buyer as a customer would have upon others, and even more intangible considerations than these.

The experience of a grocery wholesaler might be cited. He had 100 principal customers. When the depression set in he refused to cut his

price as much as his competitors. He immediately lost 50 of his select clientele and began to squirm. He resolved to hang on to the best of the remaining 50 and ride out the storm at any cost. Naturally he wanted to keep that cost as low as possible, so he picked out the customers he could least afford to lose and handled each account with individual care.

Several were the best known grocers in that territory. He wanted to keep them for the prestige it gave him among his smaller customers. Others were quick pay and he needed cash. One or two had been his customers ever since his business started and had helped him over tough periods before—they were in hard hit localities and needed the best price he could give them. For several other reasons the wholesaler sought out these particular customers and made price concessions.

A practical price system

HE tried to prevent his delivery price from dropping under actual cost but in some cases found it necessary in order to hold his customer. He found that he could handle some of the large accounts himself and thus cut the selling cost considerably. Accordingly he gave these accounts a lower price. Thus his various quantity sale bases were averaged on an intangible basis that was more practical than it was scientific. He didn't have a complicated cost accounting system to determine the actual cost of each transaction.

But under the Robinson-Patman Act this kind of selling is questionable. Such things as prestige, loyalty to customer, desirability of moving a large volume at seasonal intervals, will lose much of their former significance. A complex cost accounting system must be established.

The Committee points out that, inasmuch as factors affecting costs may vary with each individual transaction, it is apparent that adherence to this Act may eliminate the possibility of the seller adopting any fixed scale of quantity discounts and may require that each quantity purchase be figured individually, with separate consideration of cost factors, some of which may not be encountered until the order has been placed.

The question of just who is a com-

*Committee Report may be obtained by writing to Domestic Distribution Department, Chamber of Commerce of the United States, Washington, D. C.

petitor may also be difficult to answer. For example, the seller may assume that only the retailers located in a given community should be considered as competitors. Operating upon such a premise he may later meet a court decision that dealers in surrounding communities are competitors also. This decision may depend upon the size of the community and the extent of its trading radius, or even upon the size of the retail firm. Macy's in New York and Wanamaker's in Philadelphia might be competitors, or Brandeis in Omaha and Younkers in Des Moines.

Thus a seller, closely following the best legal advice obtainable, may find after some case has been instituted and has been carried through the various courts that he has for

several years been unintentionally violating the law and is subject to numerous treble-damage suits from all customers injured by violation.

This commercial problem will be multiplied by further congressional legislation touching on price regulation and by state legislation attempting to tie in with the federal Act. Considering the fact that there are in the United States more than 1,600,000 retail establishments as well as many thousands of local manufacturers, processors, and wholesale distributors whose status may be completely changed through applying the Robinson-Patman principle to all intrastate transactions, some of the difficulties which will be faced are immediately apparent.

The attempt to determine and out-

law unfair price differences is too important and too difficult to be endangered through the complications of additional state or federal legislation enacted before the constitutionality of various phases of the present law has been ascertained, its provisions clarified and successfully applied.

The Committee therefore recommends that enactment of additional federal or state legislation should be postponed until, through the processes of the Federal Trade Commission and judicial review, the practical applications of the present Robinson-Patman Act have been worked out and uncertainties are replaced by definite standards which all can be expected to understand and follow.

—R. L. VAN BOSKIRK

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When Science Polices Business

By H. H. SLAWSON

SEVERAL years ago Chicago police engaged in a strenuous and protracted hunt for a criminal who, from reports turned in by his victims, was exercising unusual intelligence and skill in his holdups and burglaries. In time he was recognized as "The Midget," a title given him because of his diminutive stature. About his methods, however, there was nothing small. What he lacked physically he made up for in brains. Experts with one accord hailed him as a clever crook.

Eventually, of course, the cops caught up with "The Midget" and, with his capture, the secret of his success was revealed.

When police put their hands on him he was seated like any scholar at a table in the reference room of the Crerar Library, an institution which specializes on scientific and technical subjects.

As the detectives snapped the handcuffs on his wrists, "The Midget" gave one last, lingering look at the book spread out before him. He had, it seems, been doing what any good business man would do if ambitious to keep abreast of current developments in his field. The book he had been reading dealt with protective devices for circumventing bank holdups and burglaries.

Of late there have been optimistic assertions that burglary before long will be listed among the lost arts. Warden Lawes has statistics showing that more than 70 per cent of the attempted jobs prove futile and that burglary is actually "one of the poorest paid of the learned professions."



Dr. Leonarde E. Keeler demonstrates the lie detector that is employed in several banks

OUT of the laboratory have come new tools which practical men are using to increase the hazards which make burglary the "poorest paid of the learned professions"

Despite the figures, however, the business man will recognize that the golden age is still far from realization and that eternal vigilance is essential for protection against the crooks. He may not, however, realize that reliance on the old-fashioned bolts and bars is no longer entirely advisable.

In the past three decades science has made marvelous progress in every line of human activity and the problem of protecting business has not been neglected. An amazing assortment of devices has been developed, some of them savoring of sheer magic, but all serving to keep the would-be robber guessing.

Here, for instance, is a burglar protective device (a Westinghouse in-

vention) which, as the intruder gropes through a darkened room and before he has even touched the apparatus, will detect his presence and then automatically set off a bell or siren, send a warning signal to the police or watch service, turn on the lights, take a photograph of the burglar and give him a dose of tear gas.

At East St. Louis, Ill., burglars had developed a habit of breaking into the battery shop of Frank Aichele, until he constructed a home-made variation of this apparatus. The first unlawful intruder, after installation of this device, did not wait to see how his picture came out, but it was perfect and helped police find him.

Another device widely used in Europe (promoted here by the Signaphone Corpora-

tion of America, 405 Lexington Ave., N. Y. City) acts not only for burglars but also for fires. Automatically for either it will do this:

1. Dial the police station or fire department, as the emergency requires.
2. Dial the home of the proprietor of the property affected.
3. Dial the supervisor of the telephone exchange merely as an added check.

Then for each separate and successive call, in a clear, unexcited, human voice, the robot tells what is wrong and where it is happening.

These two types of mechanical watchman depend for their action on the "electric eye" or photo-electric tube, that weird little creation of pure science which "sees in the dark, never sleeps, is never tired, and will func-

tion like a human brain, plus human nerves and muscles." The "unexcited human voice" in the second device emanates from a phonograph record.

When it comes to protection for safe or vault, the familiar radio is now being used as a night watchman. It is common knowledge that, for a long time, large banks have had microphones placed in their vaults to pick up sounds made by yeggs, and transmit them to a distant point where watchers knew what to do next.

Speedy alarm

SAVORING of the incomprehensible, however, is the application of radio waves to the vault in such a way that it is impossible for a yegg to get within 20 feet of it without raising an alarm. Even if he merely approaches the necessary wires to cut them, the alarm will go off. Roughly speaking, the electric discharge or radio emanation from the intruder's body upsets the finely balanced equilibrium of the electric load carried on the protective device. The built-up current spills over and affects the connected instruments which function to sound an alarm.

Electrical engineers, gathered at Cornell University in the summer of 1935, endorsed this apparatus with the statement that "it does hold promise for protection of small safes, safe cabinets and merchandise stock cabinets." Other technicians have characterized the system as "one of the cheapest and most effective burglar alarm systems ever devised."

Adaptation of the electric eye to burglar protection provides something with which thieves will really find it hard to cope. One type of tube (developed by the General Electric Co.) will be effective with a beam of light, fully 1,000 feet long, a statement which gains significance when one understands that the previous length limit has been around one-third that distance.

The most amazing part of the electric eye, however, is the fact that it is possible to render the light involved entirely *invisible* to the human eye, even in a dark room at midnight. A light filter cuts off that portion of the spectrum which normally registers on the optic nerve. Only the infra-red portion of the ray remains and



Harold Highstone demonstrates his "remembering machine" for San Francisco Police Chief Quinn. Its chief use is finding stolen automobiles. A policeman punches numbers of cars on it. When a wanted number is struck a bell rings

infra-red rays cannot be seen. They work, however, just as well as the other rays and when the burglar bumps into an invisible infra-red ray shooting across a room, the interruption of that ray directed at the photo-electric cell will initiate all the necessary action.

One electric eye device has been designed to protect jewelry display windows against the thief who uses a brick to smash the glass. Within one-thirtieth of a second after the glass shatters, the goods on display drop downward out of reach and a steel shutter shoots forward to take the place of what was previously the floor of the window space. At the same time a siren shrieks or a gong clangs.

A variation of this device provides a shutter with two leaves, one rising, the other descending, just inside the window. So fast do they move that if a hand could be inserted before they click together, that hand would be trapped and held there. This apparatus is being used in England where the law insists that you must be kind to your criminal. And so the edges of the shutter must be tipped with strips of rubber to ease the jolt he'll get when trapped.

In the warehouse, the electric eye

apparatus is replacing the less subtle system of wires which are commonly strung at close intervals up and down the walls, with the idea that anyone smashing a hole through the brick might touch one and set off an alarm.

The modernized system calls merely for a photo-electric tube placed high up in one corner of the room with its complementary electric light in the opposite corner. Fixed in ceiling and floor close to the wall are mirrors properly tilted to catch the ray of light which travels from the lamp to the waiting "eye."

An invisible network

THE closer together the mirrors are set, the more completely will the network of light rays (invisible, of course) cover the wall, until this light seems like a fine gossamer cobweb or curtain of beams hanging parallel to the wall and an inch or two out from it. Or the beam can be shot hither and yon across the room horizontally, until no intruder

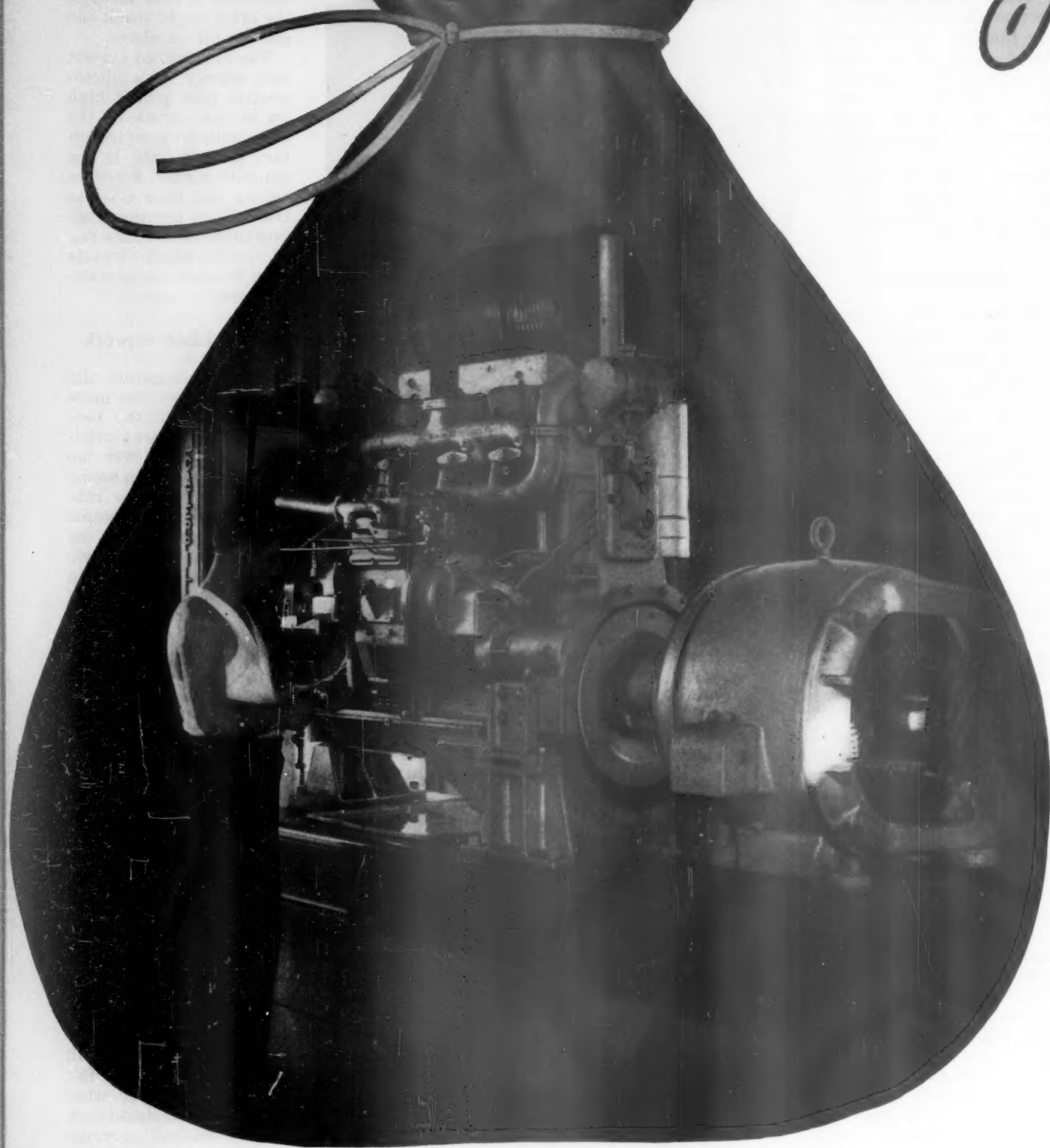
could possibly step anywhere without running into it. Interruption of the ray then instantly affects the "eye" and starts the sirens singing.

Photo-electric tubes and radio waves are not, however, the only tools in the bag of tricks science provides to protect business. From the new technique of the criminologist, developed in such institutions as the Scientific Crime Detection Laboratory at Northwestern University, the business world has borrowed ultra-violet light as further protection against the criminal.

In progressive banks and counting houses one finds a new device using this mysterious "black light" for many purposes. Originating at the end of the spectrum opposite to infra-red light, the ultra-violet rays will reveal raised checks, counterfeit money, alterations in wills or other legal documents, forged signatures, cancellations on "washed" postage stamps and similar frauds. Prison authorities had previously been using this same light to detect secret writing on messages passed in and out of jails, with disastrous effects on plots to break jail or to communicate with the underworld.

The trick with ultra-violet light is explained when one understands that

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ELEVEN CENTS an hour for power to operate the mine pump, light the mine and the buildings above ground . . . that's what this Diesel and generator cost a Virginia Mining Company! They're mining gold down a 300-foot shaft—and saving many dollars a day over former power costs with the help of the "Caterpillar" power-plant.

Low fuel cost is the most obvious advantage of the "Caterpillar" Diesel. But consider the others: Record low maintenance (plant has run 6000 hours with *no repairs*). Its stamina, its steady, sure flow of power allow the mine to be operated without interruption. And when power isn't needed—there are no standby charges!

Such performance makes "Caterpillar" Diesel *the* power today. Find out what it can do for you. There is a "Caterpillar" dealer near you—with factory-trained service men and stocks of machines and parts.

76 LEADING MANUFACTURERS POWER THEIR PRODUCTS WITH "CATERPILLAR" DIESEL ENGINES

Acme Road Machinery Company, Frankfort, N. Y.
Allsteel Products Mfg. Co., Inc., Wichita, Kans.
American Hoist & Derrick Co., St. Paul, Minn.
American Steel & Wire Co., Worcester, Mass.
Bay City Shovels, Inc., Bay City, Mich.
Berger Engineering Works, Inc., Seattle, Wash.
Brookville Locomotive Company, Brookville, Pa.
The Browning Crane & Shovel Co., Cleveland, O.
The Buckeye Traction Ditcher Co., Findlay, O.
Bucyrus-Erie Company, South Milwaukee, Wis.
Buffalo Springfield Roller Co., Springfield, O.
Buhl Co., The, Chicago, Ill.
Byers Machine Co., The, Ravenna, Ohio
Canadian Sullivan Machinery Co., Ltd.,
Dundas, Ontario, Canada
Chase Turbine Co., Orange, Mass.
Clark Machinery Company, Wichita Falls, Texas
Cook, Inc., A. D., Lawrenceburg, Ind.
Cunningham Machinery Corp., Shreveport, La.
Davenport Besler Corporation, Davenport, Iowa
Davy Compressor Co., Inc., Kent, Ohio
Diamond Iron Works, Inc., Minneapolis, Minn.
Diston & Sons, Inc., Henry, Philadelphia, Pa.
Dominion Hoist & Shovel Co., Ltd.,
Montreal, Quebec, Canada
Falling Supply Co., Geo. E., Enid, Okla.
Fate-Boat-Heath Company, The, Plymouth, Ohio
Frick Co., Inc., Waynesboro, Pa.
Gardner-Denver Company (Canada), Ltd.,
Toronto, Ontario, Canada
Gardner-Denver Company, Quincy, Ill.
Georgia Iron Works, Augusta, Ga.
Gründler Crusher & Pulverizer Co., St. Louis
Gullett Gin Company, Amite, La.
Harmon, Alfred, Melbourne, Australia
Harnischfeger Corporation, Milwaukee, Wis.
Hendy Iron Works, Joshua, San Francisco, Calif.
Highway Trailer Co., Edgerton, Wis.
Hopper Machine Works, Bakersfield, Calif.
Bug Company, The, Highland, Ill.

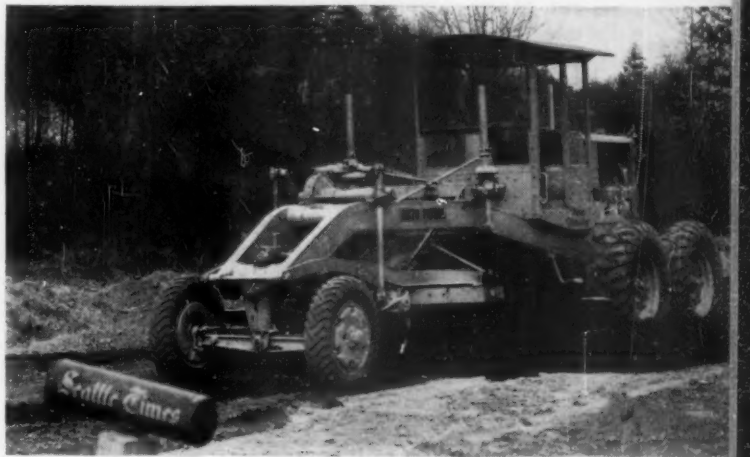
Iowa Manufacturing Co., Cedar Rapids, Iowa
Junior Monarch Hay Press, San Leandro, Calif.
Koehring Company, Milwaukee, Wis.
LeROI Company, Milwaukee, Wis.
Lima Locomotive Works, Inc., Lima, Ohio
Link-Belt Company, Chicago, Ill.
Manitowoc Engineering Works, Manitowoc, Wis.
Marion Steam Shovel Co., The, Marion, Ohio
Mission Manufacturing Co., Houston, Texas
Morris Machine Works, Baldwinville, N. Y.
Mundy Hoisting Engine Co., J. W., Elizabeth, N. J.
National Supply Corporation, Toledo, Ohio
Novo Engine Company, Lansing, Mich.
Oil Well Supply Co., Dallas, Texas
Orton Crane & Shovel Co., Huntington, Ind.
Osgood Company, The, Marion, Ohio
Ottumwa Iron Works, Ottumwa, Iowa
Parsons Company, The, Newton, Iowa
Pioneer Gravel Equipment Mfg. Co., Minneapolis
Pomona Pump Company, Pomona, Calif.
Puget Sound Machinery Depot, Seattle, Wash.
Randolph Company, O. W., Toledo, Ohio
Sauerman Bros., Inc., Chicago, Ill.
Schramm, Inc., West Chester, Pa.
Speeder Machinery Company, Cedar Rapids, Iowa
Standard Steel Works, Los Angeles, Calif.
Sullivan Machinery Company, Michigan City, Ind.
The Shovel Company, The, Lorain, Ohio
Tilly Horizontal Drill Co., Tulsa, Okla.
Traylor Engineering & Mfg. Co., Allentown, Pa.
Universal Crusher Co., Cedar Rapids, Iowa
Universal Power Shovel Corp., Milwaukee, Wis.
Vilter Manufacturing Co., The, Milwaukee, Wis.
Vulcan Iron Works, Wilkes-Barre, Pa.
Washington Iron Works, Seattle, Wash.
Western Knapp Engineering Co., San Francisco
Whitcomb Locomotive Co., The, Rochelle, Ill.
Wilson Manufacturing Co., Wichita Falls, Texas
Worthington Pump & Machinery Corp.,
Harrison, N. J.



EIGHT CENTS AN HOUR FOR PUMPING. On an Eggers gasoline barge, this "Caterpillar" Diesel drives a 4-inch centrifugal pump—pumping 900 barrels per hour at a fuel cost of only 8c an hour!



TEN CENTS AN HOUR FOR SAWMILL. Operating a small sawmill near Tacoma, Washington, this "Caterpillar" Diesel produces 350 to 400 railroad ties or 10,000 feet of rough lumber per day—at a fuel cost of only ten cents an hour!



SIX CENTS AN HOUR FOR ROAD MAINTENANCE. Rebuilding Military Road between Seattle and Tacoma, Washington, this Diesel Auto Patrol scarifies, grades and maintains the new road using only six cents' worth of fuel per hour.

CATERPILLAR TRACTOR CO., Peoria, Illinois, U. S. A.

Gentlemen:

Please send me information on "Caterpillar"

- ☐ DIESEL ENGINES
☐ TRACTORS
☐ ROAD MACHINERY

I need power for _____

Name _____

Address _____

Clip this Coupon

although it is invisible to the human eye, it produces a visible effect, known as "fluorescence." Most substances when exposed to ultra-violet light will glow with a characteristic luminous color which identifies them.

Thus the alteration in a check or other document is plain even to an amateur detective, because the fraudulent marks have a fluorescent hue that varies from the original portions of the writing. No matter how cleverly the counterfeiter matches colors he can't fool the ultra-violet rays.

Falsification of ledgers by bookkeepers is quickly detected under ultra-violet light. A glance at a page beneath the lamp shows where entries have been altered. Many novel cases are reported where this same light has detected adulterations in products or substitutions after selection from a sample.

To protect your signature on a check or important document, it is suggested that a given quantity of some chemical, whose fluorescent color under invisible light is known, be added to your ink. Since the colors emanating from inks possessing different chemical compositions will differ, a forged signature will fail to show the characteristic hue when tested.

The business man whose use of motor trucks for transportation purposes is hampered by "hi-jackers" can make a very practical use of ultra-violet light. Even after police catch the highwayman who raided a truck of merchandise, it is often difficult to convict. Courts insist on positive identification of the load as the property of the complainant. Use of ultra-violet light would make this easy.

Suppose a truck load of silk fabrics is involved in a robbery. The thieves, of course, would remove all tags or other visible identifying marks. If, however, the shipper had written his name and address or otherwise marked each bolt of cloth with invisible writing fluid, the trial could have only one outcome. For, under the ultra-violet light the invisible writing could be made legible and ownership established.

To use invisible light for reading invisible writing may seem fanciful or impractical, but the idea is advanced by an eminent scientist, Dr. Herman Goodman. It is embodied in the

proceedings of the Society of Medical Jurisprudence, for which Dr. Goodman prepared a report covering possible applications of ultra-violet light to serve mankind.

This story of how science has come to the aid of the business man with strange devices has other amazing angles. Involved here are gas and chemical systems, bullet resisting materials, burglar alarms and a myriad other things.

Thoroughly typical of the extreme application of science to a utilitarian purpose is the messenger bag for use in transporting money or securities in cities where messenger robberies on the street are frequent.

It is described as a mesh-lined leather bag, containing a mechanism which, when the bag is seized from the carrier, will automatically lock the bag, produce a series of detonations to attract attention and emit a stream of dense tracer smoke to assist in pursuing the robber. A label issued by the Underwriters Labora-

tories guarantees that the bag will work as promised.

Hotels in Miami, New York and elsewhere are sponsoring a movement to "mug" the faces and register the fingerprints of all employees.

Of deep significance, too, is the use of the criminologist's famous "lie detector" by large Chicago banks. On no less an authority than officials of Northwestern University's scientific crime detection laboratory, it has been revealed that all applicants for positions in certain financial institutions must submit to "lie detector" tests with the laboratory's apparatus before being placed on the pay roll.

Invented by Dr. Leonarde E. Keeler of Northwestern's famed law school laboratory staff, the usefulness of this weird scientific creation was demonstrated when a Chicago bank sought to find where a missing \$5,000 had gone. When used on the bank's 56 employees the lie detector disclosed, not one, but 12 liars.

Nine of them confessed to embezzlements not hitherto known to the bank's officials. And, yes, they located the man involved in the \$5,000 theft.

Since then several thousand employees of more than 50 Chicago banks have faced the lie detector. Says the official report:

"From ten to 25 per cent of the entire personnel of many banks were found to be lying regarding thefts of money belonging to the institutions and practically all such records were substantiated by confessions."

Hence came the decision to use the lie detector on every one now looking for positions. Just where this interesting innovation will lead is a matter for speculation. It is evident, however, that something unusual is afoot in the business world.

Using tools developed by science, practical men of affairs are taking a wallop at crime from a new direction and in a new spirit. Crime is on the go, but the measure of success achieved will be in direct proportion to the business man's knowledge and understanding of the latest new developments. Like Chicago's "Midget," the business man cannot do better than make a serious study of what he may have to work against.

Pullman Individualism—1937



NO MORE squirming and wriggling in the new style upper berth. The customer is even provided with a window and a convenient cubbyhole for his luggage. A folding stairway is an added attraction in a new, streamlined, articulated two-car unit. Sliding aluminum panels insure privacy on this Union Pacific Streamliner "City of Los Angeles." The 77 year old Pullman Company has just entered the list of big advertisers for the first time with two brief exceptions—1916 when it talked safety and last June when it called attention to the removal of surcharge rates.

PULLMAN FOR COMFORT AND SAFETY



Not a Life Lost

In more than two years of Pullman travel there was not one Pullman passenger or employe fatality. In this time, more than 33 million Pullman passengers traveled more than 15 billion passenger-miles and reached their destinations having encountered less hazard than in staying at home. Pullman is the safest scheduled travel in the world.

Despite rain, snow, heat or cold—it's always fair weather when you travel by Pullman. Comfortable in person and in mind, the Pullman traveler can depend upon getting to his destination—safely!

Pullman is the safe, dependable way to go—for you, for your family, for all who travel. It is also the most comfortable—clean, quiet, air-conditioned, with commodious beds for restful slumber, with extraordinary conveniences, and a personal service by a staff trained in the art of travel hospitality.

On your next trip, go in Pullman comfort and safety. Your ticket agent will give you complete information on any Pullman accommodation and its reasonable cost to your destination. Or write to THE PULLMAN COMPANY, CHICAGO

Can't "Imitate" Pullman
Sheila Barrett, famous mimic and radio star writes: "In my profession as an imitator I've traveled extensively both here and abroad. I'm certain of one thing—Pullman safety and comfort can't be imitated. It's far better service and much less expensive than anything in Europe."



Puppet King Senses Master Hand. Tony Sarg, world-famous man of marionettes, painter and illustrator, says: "The comfort and convenience of Pullman travel remind me sometimes of the magic that occurs on the puppet stage. You can't see the strings, but you know there's a master somewhere!"



THE BACKBONE OF PULLMAN SAFETY

The structural framework of every Pullman car grows out of a center sill or backbone such as this, upon which you see a skilled Pullman craftsman working. Pullman builds its cars with materials and construction methods that are *proved and safe!* Nothing is too trivial for the attention of Pullman engineers—even to the hinge shield that prevents you from pinching your fingers in Pullman doors. In Pullman construction there are no compromises when it comes to safety.



— THE SAFE WAY TO GO — AND THE SURE WAY TO GET THERE

Canada's Employment Plan

By FLOYD S. CHALMERS

THE significant thing about the method of our neighbors on the north is emphasis. They think in terms of "employment," not "unemployment"

WHEN Prime Minister King of Canada decided to put the problems of unemployment and relief under a non-political commission he gave that body the name of the National Employment Commission. It will be noted that it is not called the National Unemployment Commission.

Therein is revealed the most significant thing about Canada's present attack upon the problem of placing its workless in paying jobs.

The average man discusses *unemployment* in terms of government action.

It is easier to get him to think of employment in terms of stimulating the creation of jobs in industry, in private business, on the farms, in the mines.

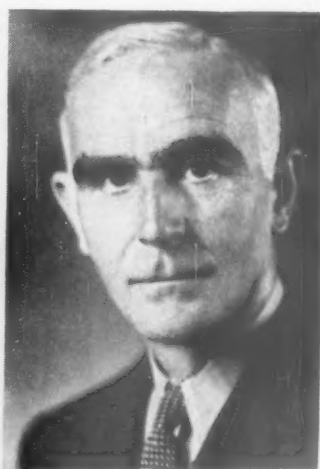
That is exactly the place where Canada is putting the emphasis. There are no Canadian equivalents of PWA or WPA. There is little government expenditure on public works. Only a handful of Canadians have ever heard of boon-doggling.

The work of the National Employment Commission is to organize, under governmental support and inspiration, all the normal and orthodox agencies for creating jobs throughout the country. It has been given authority to spend money to employ the jobless.

When he announced the Commission last winter, Hon. Norman McL.



With the cooperation of the Canadian Government, private capital has built thousands of new, modern homes



Arthur B. Purvis

Rogers, Minister of Labor, said:

Victory over the depression and unemployment cannot be won by a pitched battle on any front but only by a sustained campaign along the entire front of our economic life. The success of this campaign requires that the leadership of the Government should be supported and supplemented by the cooperative effort of organized industry and commerce, financial institutions, labor organizations and social service agencies throughout the entire Dominion.

That is the essence of the Canadian effort;

the Government will lead and inspire but business men and their private economic allies must cooperate to create the jobs. What is being applied is a lesson learned during the war, when committees of private citizens did a more human and yet efficient job of administering relief to dependents of soldiers overseas than governmental bureaus could have done.

Canada's national effort for reemployment is headed up by a most

remarkable business executive of international experience. At 46, Arthur B. Purvis can look back upon 32 years of success in business in England, the United States and Canada, with briefer missions in South America and South Africa. The company of which he is president and managing director, Canadian Industries Limited, is jointly controlled by the Imperial Chemical Industries of Britain, and Du Pont's of the United States.

Knows nothing of politics

QUICK and incisive in judgments, intensely human and socially-minded, rapid in organizing, Mr. Purvis is the ideal dollar-a-year man. He is first of all a business man, and knows nothing of party politics.

He might have seized upon the fact that he has lived only 12 years in Canada and could not know every section of it intimately as an excuse to refuse heavy public responsibilities. But he has the Englishman's idea of citizenship—to respond unquestioningly when the State calls to service.

Associated with him are a group of fellow commissioners as curiously varied as a fish exporter, a farmer, a newspaperwoman, a shoe manufac-

turer, a professor of economics, and a union labor official.

This group was given two chief responsibilities—to reorganize relief administration to eliminate waste, and to organize a nation-wide effort at reemployment, the second task being by far the more important.

Mr. Purvis set down two simple principles to guide the work:

In the handling of relief, to put the emphasis upon character—the maintenance of self-reliance, the restoration of self-respect, and the stimulation of the will-to-work.

In reemployment—to realize that at all times the basic need is to increase production. Distribution will follow. We can create more jobs only by creating more wealth.

Certain obvious things undertaken by the Purvis body need not be enlarged upon: the taking of a relief census to find out why different groups were unemployed; the setting up of provincial and local committees of citizens not in politics to get community push behind the national campaign; the efforts to bring better order out of relief chaos. While such things were still under way, the Commission set out on the larger task of reemployment.

"What," it asked itself, "is the biggest single factor in creating jobs today?"

The commission answered its own question:

"Modernization."

Where modernization should begin was the next problem. The commission's answer was:

In the housing of the people.

Thus rehousing became the first line of attack on unemployment.

Housing has been broken down into four phases:

1. Top hat homes—home-building or

buying for those who can finance their own needs. Here no quasi-public body is needed to provide help.

2. White-collar homes—home-building or buying for those who can be stimulated by maximum loans at minimum rates. The Government already had a home financing plan under which loans at moderate rates were made jointly by established lending institutions and the Government, on the basis of \$4.00 private money and \$1.00 public money. This plan is being continued on a basis which encourages private financial institutions to broaden their lending activities.

3. Homes for the poor—that is, houses for those workingmen whose incomes are so low that no rental per room within their reach is likely to encourage private capital to enter the field. It is because there is no money in housing this class of persons that they drift into slums in nearly every country. Canada is about ready to recognize that governmental subsidy in some form is unavoidable in this type of housing. But it is determined, if possible, to avoid the perils of bureaucratic red tape and political mismanagement. The attack upon the problem will be along the line of providing low cost funds, in the form of government loans, to local housing trusts organized on a non-political, really on a community or quasi-philanthropic, basis. It is not primarily a slum-clearance job.

4. Improvement of existing homes, in which field a most intensive campaign is now under way. Day in and day out the newspapers, the magazines and other periodicals are filled with an incessant

ton's experiments. Banks and finance companies lend money for home improvement at 3¼ per cent discount, about half the rate formerly charged for instalment financing of this character. The Dominion provides each lending agency with a limited guarantee against loss.

Business sold the idea

HAVING provided this guarantee as its contribution, the Government asked business to organize and merchandise the plan. One example of the Government's insistence upon private management may be cited.

To publicize the plan, advertising in the form of newspaper and magazine display, booklets, and so on, was necessary. Mr. Purvis did not get an appropriation from the public treasury. He asked himself:

"Who wants this job done; who will benefit?"

He then went to those people for the cash. He raised a large advertising budget by private subscriptions from interested industrial and supply firms, supplemented by contributions from business institutions with no immediate interest in the sale of sup-



Aiding in the drive, the railroads launched a modernization program



ALEXANDRA STUDIO

Mining has provided jobs of many kinds. This new refinery built by International Nickel put many to work

propaganda for home modernization. People are told what is new in home improvements and built-in equipment.

With little change, Canada has frankly borrowed the home improvement plan which it regards as one of the most successful of Washing-

ton's experiments. Banks and finance companies lend money for home improvement at 3¼ per cent discount, about half the rate formerly charged for instalment financing of this character. The Dominion provides each lending agency with a limited guarantee against loss.

Through out all of the plans, the clear and definite policy has been to provide only the minimum of governmental support and direction; just enough to supply needed inspiration or momentum. After that private business—contractors, industrial firms and banks—have to carry on alone.

It is too early to forecast final suc-



Mill No. 1, Entwistle Manufacturing Co., Rockingham, N. C.

ENTWISTLE MILL SAVES WITH IRON FIREMAN



W. H. Entwistle, Vice President and General Manager.

When a cotton mill operator cuts costs in his boiler room nearly five thousand dollars a year—and gets better heat and power—it's news to every man who pays fuel bills. Briefly, the facts are these:

A heavy duty Iron Fireman "Poweram" stoker replaced hand-firing in the boiler room at Mill No. 1 of the Entwistle Manufacturing Company at Rockingham, N. C. A comparison of records before and after the installation revealed:

With Iron Fireman firing, overall boiler efficiency increased from 44% to 74%. Cost for 1000 pounds of steam decreased from 40c to 18c. Annual fuel and firing room labor cost decreased from \$10,420 to \$5506—an estimated saving of \$4914 or 47%.

W. H. Entwistle says: "In addition to fuel and labor savings, Iron Fireman gives us automatic operation, as well as uniform boiler pressure, at all times. We can recommend Iron Fireman to anyone having conditions similar to ours."

MONEY SAVED IS MONEY EARNED

Iron Fireman's ability to cut firing costs and increase firing efficiency is a matter of record in thousands of buildings, large and small. You can install Iron Fireman in your own boiler with equal success. Purchase can be made on convenient monthly terms.

Your Iron Fireman dealer will gladly make a free firing survey of your property and submit all the facts for your consideration. Ask him for this service, or write to 3140 W. 106th Street, Cleveland. Iron Fireman Manufacturing Co., Portland, Oregon; Cleveland; Toronto. Dealers everywhere.



Iron Fireman installation in a 260 h.p. boiler at Entwistle Mill No. 1.



IRON FIREMAN
AUTOMATIC COAL BURNER

cess for all the plans. Nor can one point to the rapid decline in unemployment and the steady increase in jobs and pay rolls and say that all of these benefits are the product of the reemployment work, because Canada is gaining from the general world recovery. But it is significant that Canada has abandoned the notion, which was inherent for a while in much of its legislation and many of its policies, that the Government owes every man and woman a living and can provide incomes for all the people out of the public treasury; or even that it can find an income for every one by bureaucratic planning of the private economy.

There are other phases of unemployment in Canada as in every country; specific phases of the larger problem.

There is the peculiarly difficult issue of Youth—particularly disillusioned, untrained, depression-soft young men who have not yet had a chance to learn how to work. The central theme of youth assistance in many countries has been segregation—mobilization in military or other camps. This has been rejected in Canada. It is desired to avoid an undue concentration of youths away from the normal currents of life which young men and women must learn to buffet alone. It is desired, too, to avoid thinking of the youth problem as a problem distinct from the larger unemployment problem of which it is a part.

This is not to say that "reconditioning" projects will be avoided. There will be training schools in the larger centers. Young men will be placed with forestry companies, mines, construction companies. Some form of apprenticeship plan will be worked out in industry. But semi-military camps, the appointment of a Minister of Youth, and other proposals that tend to emphasize the problem of youth as a separate problem, will not be undertaken.

Another specific problem within the larger problem is that of women. European dictators have solved the problem of unemployed women by measures—encouragement of marriage, regulations against female labor,

etc.—that have simply taken women out of the employment line without providing them with jobs. Canadian women, like American women, would not accept any such solutions. But in Canada the problem of unemployed women will be handled as a problem that is not separate and distinct in itself, but merely a part of the general problem of unemployment. What will increase the number of jobs available will increase the number of jobs for women as for men, it is felt.

A third specific problem usually dealt with separately is that of the single unemployed: the army of homeless transients and drifters, those who in the old days were panhandlers or amateur gypsies, or who provided the needed labor where there were frontiers to be pushed back and took to the roads, the poor houses, the missions and the soup kitchens, when opportunity was gone.

Temporary work on farms

AS a temporary measure this winter, thousands of them have been placed on farms as hired hands. The Government shares with the farmer the cost. This is not regarded as a plan of any permanent value.

There are three age groups among the transients. The young men can be dealt with as the youth problem is dealt with. The middle-aged men will gradually be reabsorbed into employment as the national effort wins through. The older men have to be recognized as largely unemployable.

A determined effort is to be made in Canada to place as many as possible on small allotment farms near the big cities.

Canada is always under two strong influences in its social and political life. One is Britain and the other is the United States. In the depression years, the conflict has been strong between those who have been favorably

impressed by state social planning as used in the United States and state inspiration of private enterprise and individual initiative as it has worked so successfully in Britain.

As usual, Canada has found a middle ground; but there is much more of the British way than of the United States in what Canada is now doing.



RITTAGE

The New Sky-line in American Building...

enduring CONCRETE

Construct your new building as a monolith—firesafe, permanent, economical. That's the thrifty, modern way to build . . . walls and ornamental detail integral with frame and floors.

A new building of architectural concrete will reduce fire hazard and insurance rates, insure permanently low maintenance . . . eliminate vibration and remove floor load handicaps—to say nothing of bettering working conditions and giving you a more efficient layout.

And beyond all this a distinctive building of architectural concrete will have great prestige value.

Ask your architect and engineer about this money-saving technique. Or write for one of our engineers to call. Free illustrated booklet, "*Beauty in Walls of Architectural Concrete*," on request.

PORTLAND CEMENT ASSOCIATION
Dept. 2-44, 33 W. Grand Ave., Chicago, Ill.



A distinctive exterior of architectural concrete—the new printing and engraving plant of Clarke & Courts, Houston, Texas. Joseph Finger, architect. Southwestern Construction Company, builders. Walter P. Moore, structural engineer.

Architectural Concrete

FRAME AND FLOORS CAST INTEGRAL
WITH EXTERIOR WALLS AND ORNAMENT

The Map of the Nation's Business

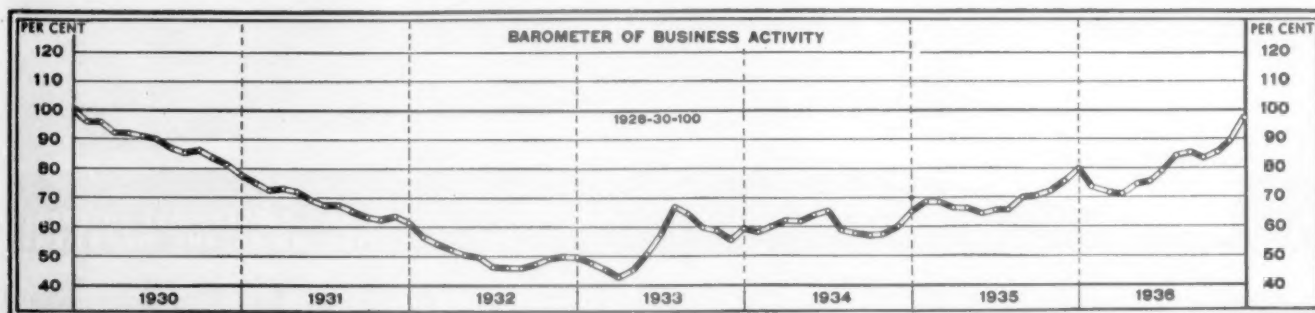
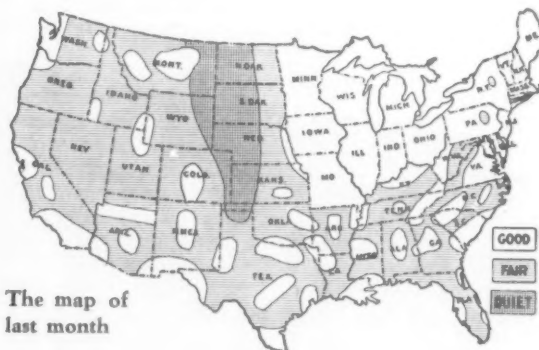
By FRANK GREENE



DECEMBER saw a flourishing ending to a year of enlarged trade, active industry and advancing prices. Leading crop yields were reduced from their earlier promise but good demand made prices exceptionally profitable to growers. World wheat supplies were at a ten-year low. Commodity prices equalled or surpassed records for six or more years. The stock market rose sharply.

Considerable labor unrest was noted. A strike of sailors retarded export trade, disputes of glass workers and auto body makers slowed what was expected to be a record automobile output. Steel, cotton goods and other staple industrial lines showed larger outturns. Trade records back to 1929 or the early 'thirties were surpassed. Air line traffic, freight and passenger, made new records. Some western tobaccos sold at the highest in 20 years. Bituminous coal output gained a sixth over the preceding year. Electric output made an all-time high. Dry goods wholesalers reported orders largest since the War.

Recent snows on the western plains and rains further east fortify hopes of a beneficial change in soil conditions from the excessive dryness of last year



Further gains in industry and business generally have lifted the Barometer level to the highest point since December, 1929

BASED ON INFORMATION SUPPLIED BY DUN & BRADSTREET, INC.

NATION'S BUSINESS for February, 1937

and licking it!

HOMES are warm, families are fed, factories keep running even in the dead of winter, because the American railroads *whatever the weather* see that the freight goes through!

These dependable carriers have a grave responsibility to meet, for countless communities vitally depend for food, fuel, industrial materials and medical

attention upon the sure arrival of the trains.

And the way that railroad men buckle into the job — their resourcefulness, their fidelity and fortitude in overcoming every obstacle—constitutes

one of the most dramatic peace-time battles of modern times.

Neither cost nor effort is spared. At the first storm warning, the biggest locomotives swing into action behind great rotaries, or steel-winged snow plows, to hurl drifts off the tracks that link every city and hamlet with sources of vital supplies.

Extra track forces are marshaled to keep terminal switches clear of snow and ice.

Repair crews stand ready to throw new bridges across flood-swollen streams.

Sometimes the forces of nature temporarily prove too powerful even for the veteran skill and vast preparation of the railroads—but it is a proud boast of railroad men that their transportation is the last to quit and the first to resume in emergencies.

And exceptions are so rare that it is front page news any time conditions get so tough that trains can't win their way through.

Special Freight Services for Special Needs

AERICAN life depends upon all-year all-weather transportation. When winter comes, special insulated and heated cars are ready for those perishable shipments which might be injured by freezing. Special arrangements are made for protection, feeding and care of live stock. Trains maintain the lifeline of the milk supply. On other passenger trains the Railway Express speeds important shipments safely through. Trains are the reliance, too, of the United States mail.

AUTOMATIC WARNING OF SNOW SLIDES



Along the tracks in mountainous country, the railroads maintain fences linked electrically with roadway signals, so that warning is given approaching trains when slides of snow or ice or rock even threaten to obstruct the tracks. This is one of countless scientific developments contributing to the safety, comfort or reliability of railroad transportation. More than a thousand research engineers, engaged on scores of projects, are constantly employed in American railroad and university laboratories. By their skilled and patient efforts—

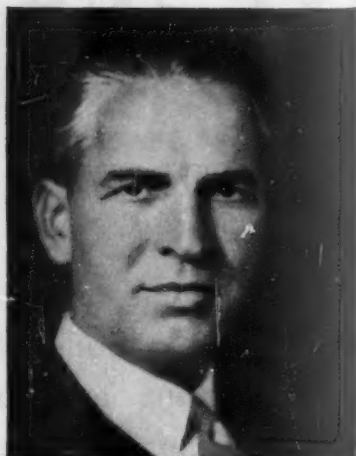
PIONEERING STILL GOES ON!

ASSOCIATION OF

AMERICAN RAILROADS

SAFETY FIRST
friendliness to

Men Whose Names Make Business News



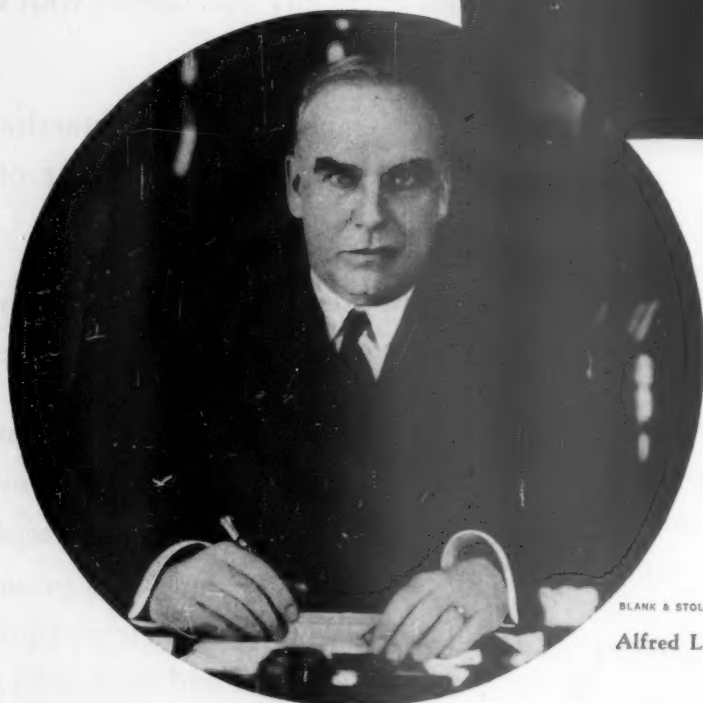
Alexander Calder

BLANK & STOLLER



B. C. Heacock and General Thomas S. Hammond

KAUFMAN-FABRY



BLANK & STOLLER

Alfred L. Aiken



UNDERWOOD & UNDERWOOD

Leon Fraser

ALEXANDER CALDER, president of Union Bag and Paper Corporation, announces formation of subsidiary to handle all woods operations of parent company which has opened a \$4,000,000 kraft paper mill in Savannah. Pulp, formerly imported, to be superseded by slash pine harvested within a 100-mile radius of the factory.

"Well, the job's yours and good luck," says Gen. Thomas S. Hammond, retiring president of Illinois Manufacturers' Ass'n, to B. C. Heacock, president-elect who heads Caterpillar Tractor Co. His company led field in Diesel tractors—produced 21,000th Diesel last fall. Gen. Hammond of Whiting Corp. manufactures stokers, traveling cranes, railway specialties, etc.

Alfred L. Aiken, new president of New York Life Insurance Company. Helped organize Federal Reserve system and served as Governor, Federal Reserve Bank of Boston, 1914 to 1918. Has valuable collection of Hamiltoniana. Likes to fish.

Leon Fraser succeeds Jackson E. Reynolds as president of First National Bank of New York. Formerly counsel to Dawes Plan and president Bank for International Settlements.

I. D. Goss, of the National Fire Waste Council, announces plan to reduce rates for farm fire insurance when rural fire department, telephone and water supply are available.



RAYHUFF-RICHTER

I. D. Goss

"Aliens" and the Tax Law

By CHARLES T. AKRE

THE new surtax on undistributed profits has raised such a hue and cry that other new provisions of the Revenue Act of 1936 have practically escaped notice in the press.

Some of these provisions which are causing corporative headaches and expense are found in Sections 143 and 211 of the Act. They provide merely that non-resident aliens shall be taxed. That sounds simple enough until you try to do it.

Obviously a non-resident alien individual (the tax also covers foreign partnerships and corporations) is one who does not live in this country and who is not a citizen of the United States. Section 211 of the Revenue Act divides these persons into two classes—those engaged in trade or business in the United States or having an office or place of business here, and those who are not engaged in trade and have no place of business in this country. These latter persons are to be taxed a straight ten per cent of the gross income received from sources within the United States.

To simplify—for the Government—the collection of this tax, Section 143 of the Revenue Act provides that "all persons, in whatever capacity acting, having the control, receipt, custody, disposal or payment of income of any non-resident alien shall deduct and withhold" the ten per cent tax.

Into that apparently innocent statement is packed enough trouble to satisfy the most earnest foe of corporations. The reason is this:

How can a corporation official tell whether a stockholder is or is not a non-resident alien?

The Commissioner of Internal Revenue stepped in to help meet this difficulty.

He caused a regulation to be issued which provides that, in cases of dividends, if the payor corporation "had no other

reason to believe that the dividends are subject to withholding," the following procedure in general may be adopted:

All are aliens until proven not

1. As to stockholders whose name and style indicate that they are non-resident aliens, foreign partnerships, or foreign corporations, the tax shall be withheld in all cases if the address of any such stockholder is without the United States.

2. If the address of such stockholders is in care of an individual, a partnership or a corporation within the United States, the tax shall be withheld. . . .

To that second paragraph corporation officials are indebted for long stretches of sleepless nights.

It is a common practice for stockholders to have their dividend checks sent to banks for credit to their accounts and the conservative interpretation of this paragraph is the same the country over:

"If you personally don't know the stockholder to be a citizen of the United States, or at best a resident, then, if his address is in care of someone else inside the United States, the ten per cent tax must be withheld."

Those who fail to do that face

possible embarrassing conversations with the Commissioner:

"Why, Commissioner, 'Osborne' is an old American name."

"I don't agree with you. 'Osborne' is as English as they come," replies the Commissioner, and he has the last guess.

If such scenes are to be avoided, the corporation must find out from Mr. Osborne whether he's American or English before it sends his dividend.

A leading corporation counsel expressed the idea to his client in this fashion:

"Boys, it's best not to take a chance on this; you better send them all letters and ask them to state whether they're citizens. Remember, Congress is out to get the money, you're appointed to collect it and they're all guilty until proved innocent. Furthermore, you might have to dig down and pay the tax if you do otherwise."

Now let's just take a look at what happens in the ordinary corporation just about a month before a dividend paying date.

The dividend mailing lists are run off for inspection in order to pick out foreign addresses, or those whose addresses are in care of another individual, partnership or corporation within the United States.

The letters go out. But the situation gets little better when the answers come in.

Baroness Zilch with all her name is an American citizen for 'lo these many years.

John Smith, owner of one share Class B preferred, is a Dane. His dividends have been sent for years upon end to the Commercial Trust Company and yet he's never set foot on these shores, apparently.

Donald Thompson turns out to be a thrifty Scotsman.

But the ones whose name and style indi-

What's Coming in March

★ ★ ★

The Federal Incorporation Plan

By Felix Bruner

Sen. Joseph C. O'Mahoney, of Wyoming, explains in an interview why he believes his bill setting up government licensing would not constitute a burdensome restraint but would actually give business a new charter of freedom.

Here Comes the Super-Market

By M. M. Zimmerman

Is this new form of merchandising merely an addition to the nation's distribution set-up or does it have social implications? Will it affect real estate values, relocate shopping centers, displace older selling establishments? All these are possibilities about which business men need to be informed.

Where Business Ethics Come From

By Ida M. Tarbell

In this article—announced prematurely for February—this shrewd observer answers the question: "Can trade and industry evolve better rules in the public interest than can be attained by government edict?"

IF THIS HAD BEEN YOUR FIRST GIRL

Could You Have Paid the Bills Without Borrowing?



... For Those Without Cash For Emergencies Household Provides Money at Reasonable Rates

● When you were raising a family, buying a home or a car, going along like any young American on the way up—you were in danger. In danger because you operated through the early years without a cash reserve equal to possible emergencies—an accident to Bill, an operation for Mary, long sickness for Mother.

Loans Without Collateral

Of course you have cash now—or collateral for a loan at the bank. But many younger men—many of your employees—stand where you stood a few years ago—without cash for emergencies. When "acts of God" strike—what then?

Without an adequate cash reserve—they must *borrow*. Not from a bank, because they haven't collateral. From Household Finance where they get money *without* bankable securities. One-sixth of all Household loans are to pay such medical or dental bills.

Aid in Money Management

Five-sixths of all Household loans are to pay bills already due or to meet emergencies. Some are to families who got in debt through carelessness and lack of training. To these, as to all others, Household's Doctor of Family Finances gives a constructive plan of budgeting that stops money leaks—and instruction in Better Buymanship that stretches the family dollar. The Doctor's help returns thousands of such families to solvency every year.

To see exactly how this service can help your employees, send the coupon below.

HOUSEHOLD FINANCE CORPORATION

and Subsidiaries—one of the leading family finance organizations, with 215 offices in 148 cities

HOUSEHOLD FINANCE CORPORATION, Dept. NB-2
919 N. Michigan Ave., Chicago, Ill.

Please mail me without obligation full information on Household Finance's family reconstruction program.

Name.....

Address.....

City..... State.....

cated to you a possibility of alien relations—these were the Timothy McCandless, the Lars Larsons, the Robert McIntoshs—all these turned out to be plain good American citizens and probably every one of them fought with the A. E. F.

And so with voluminous pieces of evidence crowded into the bulging fireproof files, waiting for the Commissioner to study, the officials learn from Sadie Green that she has been a stockholder, if you please, since the year '01 and if that wasn't enough, her grandfather before her settled in Poughkeepsie.

There's always a poor woman who becomes frightened at the words in her form letter; all she sees is an "alien" and "tax." She lives in the same city and comes breathlessly to the office. "Goodness, will I be deported? Why, I've lived in Richmond all my life."

Then there is the man who thinks the management knows him personally because he has attended every stockholders' meeting for 15 years and he returns his form unsigned.

At this stage the Public Relations director of the corporation storms into the treasurer's office. He has just completed a campaign to make every stockholder realize he was an intimate owner of the business.

"Why did you accuse Mrs. Kirk of being a foreigner?"

The treasurer feels maybe that small item of good will should be written off entirely.

Comes dividend paying date and the checks are ready to be sent out. In comes Mrs. Howard, declaring herself to be a citizen. Her check must be found, destroyed, a new one drawn up, signed, transmittal letter changed, and the stock ledger changed to show her corrected status.

But after the checks have been received the fun really begins.

Right down to the corporation office comes Mrs. Edward Shaw, waving her check in the face of the treasurer. She was called an alien by the corporation.

"I'm a D. A. R., Past President, if you please."

Mrs. Shaw gets a brand new check and apologies—but Mrs. Shaw wasn't interested in the new Revenue Act.

The telephone.

"You made a mistake in my dividend check. It's short 60 cents."

"Yes, Madam, you see, the new Revenue Act... tax... non-resident aliens."

"What's that? Aliens? Tax? But what does that have to do with me?"

"Yes... Yes... Well, just write us a letter."

"Letter? Letter? What for?"

"All right—never mind—we'll

send you a check for the difference. Good-bye.

"Take a memorandum, please, to the treasurer. 'Please charge the dividend checks account and credit the account, Tax Withheld at the Source under Section 143-b, Revenue Act 1936, 60 cents and issue a check to the order of Mrs. Robert Hild, Jr., for 60 cents to refund amount of tax withheld in error.' Also write Mrs. Hild, enclosing check, usual letter. Send memo to stock transfer agent that I will personally certify that Mrs. Hild is not an alien.

"No more dividends for three months.

"What's this? A new stockholder of record? 'John B. Ford, in care of Dime Trust Company.' Miss Walters, a letter to Mr. Ford in care of Dime Trust Company. 'Dear Mr. Ford. Under the provisions of the Revenue Act of 1936...'"

And here in its essence is the working of Section 143-b as it applies to the payment of dividends.

No one objects to the taxation of these persons and their incomes. Everybody will agree to cooperate, even though it represents higher operating costs.

However, isn't it sufficient to make every business a free collection agency for the Government? Shouldn't the burden stop there? Doesn't the regulation impose an unwarranted addition to the burden and create annoyance and a nuisance to all who are concerned?

Streamlines Cut Sales Resistance

(Continued from page 40)

confined to passenger locomotives. As consulting designer for the Baltimore & Ohio, he is responsible for the looks of the streamlined, air-conditioned busses (the first of their kind in the land) which the B. & O. will use for train connections between New York City and Jersey City; and he has been assigned the task of styling a new batch of Philadelphia subway cars.

That's why he doesn't exactly like the word "streamline." From a strict engineering standpoint, few things *have* to be streamlined, even in the transportation world. From a sales standpoint, however, a fencepost is better off for it. The tools of transportation, he maintains, ought to be styled so they'll attract the public—so they'll epitomize not only the skill that has gone into them, but the progressiveness of the men responsible for them.

Trouble comes at midnight



INTO a home's midnight sleep breaks the flinty *brrang* of a telephone. A worried voice comes across the miles—"Boiler No. 10 is down. Looks bad. Can you get a man here soon?"

Like a doctor, the Chief Inspector in each Hartford Steam Boiler office is ready for trouble day and night. Even his sleep is not his own! A crippled boiler, a wrecked engine, a stilled turbine will not wait. When trouble comes, the plant needs aid . . . and this Hartford, supremely, can give!

Hartford Steam Boiler guards American industry by insuring American

industry's power equipment. No plant is so small . . . nor so far off the beaten track . . . that Hartford cannot serve it well. Boilers and pressure vessels, engines, turbines, electrical machinery, refrigerating apparatus of all kinds and sizes, come under Hartford's care.

To each periodic inspection of insured equipment, Hartford Steam Boiler applies an unequaled technical

skill in finding and prescribing corrections for defects which might bring disaster. Its advice often leads to new plant economies, often adds years of usefulness to expensive equipment.

Hartford service never watches the clock. Your agent or broker will show you how this seventy-year-old company will work for you twenty-four hours a day!

This familiar seal, the hall-mark of the largest purely engineering insurance company in the world, appears on all Hartford Steam Boiler policies. . . . Engineering insurance covers loss from damage to property or persons, and stoppage of production, business or rents due to explosions of boilers and pressure vessels, and accidents to power and electrical machines. . . . Ninety per cent of all power boilers built for America's industrial plants bear the HSB imprint, placed thereon by the Hartford inspector who passed upon their design and watched their construction.



**THE HARTFORD STEAM BOILER INSPECTION AND
INSURANCE COMPANY, HARTFORD, CONNECTICUT**

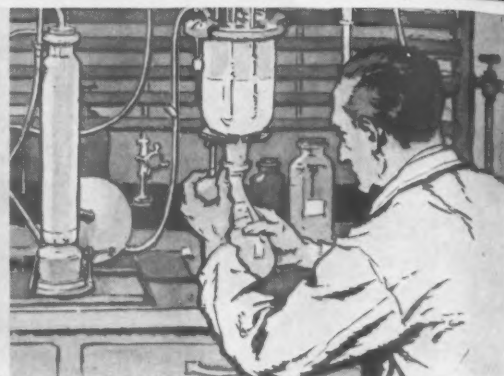
SIGHTSEEING WITH BAKELITE^{*}

Automobile Industry

EVEN a quick trip through a modern automobile plant reveals many surprising things to the layman. Numbers of different automatic machines, undreamed of only a few years ago, are forming and fabricating precision parts at high speed. But of equal interest is the variety of new materials used, not only in the automobiles, but in making them. In this advertisement we take you through a few of the departments in a typical plant and point out some of the scores of diverse ways in which Bakelite Materials are employed.



ENGINEERING DEPARTMENT—Here, where the designer's ideas are put on paper, transparent Bakelite Resinoid is used for T-squares and triangles, and other Bakelite Materials for fountain pens and automatic pencils.



TESTING LABORATORIES—All materials specified for automobiles must meet the most rigid laboratory tests. In the laboratory, chemical resisting Bakelite Materials are used for graduates, beakers and other equipment.



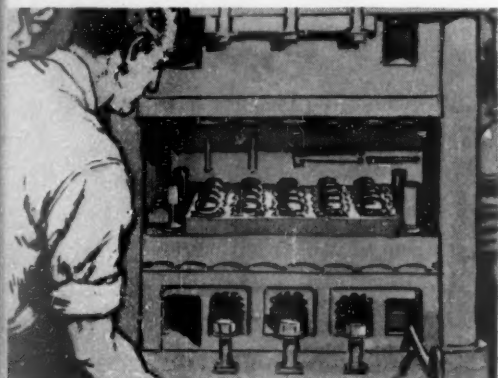
PATTERN SHOP—Skilled craftsmen take the engineer's drawings and from these construct the patterns for making the finished parts. These patterns are often made of plywoods bonded with Bakelite Resibond and finished with a varnish fortified with Bakelite Resin.



FOUNDRY—For making cores of molds used for castings there is a Bakelite Bonding Material that keeps them firm and smooth. After the castings are made the gates must be ground off and this is done with Bakelite Resinoid Bonded abrasive wheels operating at 9,500 S.F.P.M.



GRINDING ROOM—Precision grinding of accurately balanced crank and cam shafts is one of the most interesting production operations. Again Bakelite Resinoid Bonded abrasive wheels come into use because accuracy of dimension and form is essential.



MOLDING SHOP—Dozens of Bakelite Molded parts, important to fine appearance and performance, are used in a motor car. Some that are quickly recognized are the distributor head, the horn-button assembly, and the gear shift ball.



PAINTING SHOP—The bodies of modern automobiles are sprayed with successive coats of lacquer or enamel fortified with Bakelite Resin to increase toughness and weather resistance. Before painting, the bodies are wet-rubbed with abrasive paper moisture-proofed with a Bakelite Resinoid.



SALES ROOM—Even here, Bakelite Materials are employed everywhere; for telephone, type-writer and dictating machine parts, desk tops, pencils and pen holders. And it's likely that a Bakelite Resin has been used in the finishes for floors and walls.

When in this one industry alone Bakelite Materials are serving in so many important ways, is it not reasonable to assume that they may be equally valuable in your own production processes or product?

BAKELITE

The registered trade marks shown above distinguish materials manufactured by Bakelite Corporation, under the capital "B" & Co. registered sign for quality, or unaltered quality. It guarantees the infinite variety of amount and form of Bakelite Corporation's products.

Our engineers would be glad to consult with you about it, and we also invite you to write for copies of our Booklets 1M, "Bakelite Molded", 1L, "Bakelite Laminated" and 1S, "Bakelite Synthetic Resins".

Bakelite Corporation, 247 Park Avenue, New York, N. Y. Bakelite Corp. of Canada, Limited, 163 Dufferin Street, Toronto

^{*}Trade Mark Reg. U. S. Pat. Off.

THE MATERIAL OF A THOUSAND USES

Fires Are Your Fault

By PERCY BUGBEE

Assistant Managing Director, National Fire Protection Association

IT IS not uncommon for business concerns to include a fine print sentence on letterheads and contracts reading:

"Deliveries subject to delay through fires, strikes, floods, acts of God, or other disasters beyond our control."

It is part of the inherent nature of Americans to look at fire as an "act of God" or a "disaster beyond control." Few people seem to appreciate that fire control has been reduced to a science and that intelligent planning and forethought can greatly reduce, if not entirely eliminate, the hazard of fire.

The fire losses in the United States and Canada greatly exceed year after year, on a *per capita* basis, the losses of any other civilized nation. Have you ever really stopped to think why this is so?

Certainly it is not because of our lack of fire protection facilities. The fire departments and water supplies of American cities are not equalled anywhere. I am confident that the underlying reason for our consistently disastrous loss of life and property by fire is the average American citizen's peculiar psychology toward fire.

Let me illustrate this psychology by a few concrete examples. Up in Winnipeg, Canada, some years ago the fire department decided to go on strike. At a given time every fireman in the city laid off and went home. The people of Winnipeg were warned through the newspapers, by telephone, and by every sort of publicity that fire protection was lacking. What happened? In the ten days of

the strike Winnipeg had no fires of any consequence. But when the firemen went back to work, the people breathed a sigh of relief, forgot all about their cares and responsibility toward fire hazards, and the old ratio of fires immediately resumed.

Oklahoma City has received a good deal of publicity because of the pools of oil underlying the congested district. Several wells drilled right in the heart of the city ran wild and

perks were thrown about the grain elevators. There is no other answer.

These examples demonstrate our peculiar psychology toward fire and our general indifference to fire prevention measures. I may cite one more example, however, that is even more convincing.

Every fall a certain week in October is set aside as Fire Prevention Week. During this period, observances are held in the schools and the

sprayed surrounding property with gasoline and oil. The city authorities and citizens were seriously alarmed about the menace this situation provided. A careless act might well have meant disaster. That the city has had no serious conflagration is due, in my opinion, to the fact that the fire situation was so obvious and so acute that everybody can see the need for adequate precautions. When the hazard becomes smaller, perhaps the disastrous fire may occur.

Insurance underwriters have always considered grain elevators a hazardous risk. They are of large area, usually of inferior construction, and contain large quantities of flammable material. The fire record of grain elevators both before and after the World War has been unfavorable. Large losses are frequent. However, during the war period, practically no losses of consequence occurred in grain elevators. Why? Grain was needed to insure an adequate food supply to the troops abroad. The Government took a hand and rigid precautions based on the advice of fire protection ex-



H. ARMSTRONG ROBERTS

The fire departments and water supplies of American cities are not equalled anywhere

THIS country has a greater per capita fire loss than any other civilized nation. You pay for it. You could stop it by taking very simple precautions



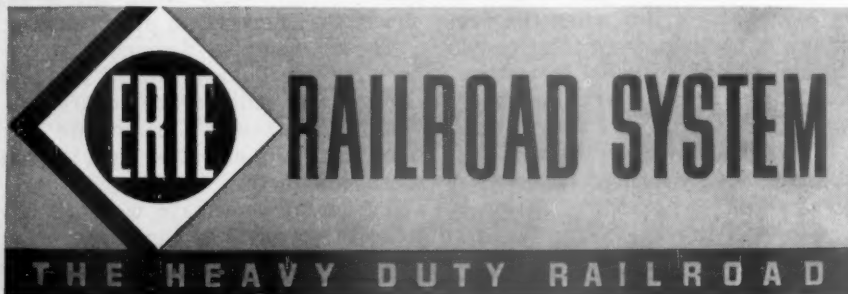
He Spots Delays Before They Happen

● All along the Erie—sharp eyes search for possible delays to freight shipments—your shipments. It's the car inspector checking every piece of equipment for defects. He spots delays before they happen. Night and day, he's on the job—a watchdog to the Erie creed—"The freight must go through safely and on time."

The car inspector is one of thousands who, unheralded, protect your shipments, speed them toward safe delivery.

Whether you ship stoves or shoes, coal or cantaloupes, you will find Erie's fleet of faster freights the shortest way to market.

*Travel
the Scenic Erie*
... between New York, Binghamton,
Elmira, Buffalo, Chautauqua Lake,
Youngstown, Cleveland, Akron, Chicago
AIR-CONDITIONED TRAINS
EXCELLENT MEALS • FINEST
SERVICE • LOWEST FARES



public is warned to be careful with fire. A study of the fire records of a large number of cities shows conclusively that the losses begin to drop just before Fire Prevention Week, are at a low level during that week and for one or two weeks afterward. Then they climb back to the normal weekly ratio.

Is it any wonder that, facing this situation, those who are trying to check fire waste have the growing conviction that no substantial progress can be made until the man who has a fire ceases to be regarded as an unfortunate and is looked upon as a public offender? There is nothing revolutionary in the idea that an individual should be responsible to others for his acts. In other circumstances such phrases come from American lips with sufficient glibness. It is the application of the principle to fires that seems perhaps revolutionary.

Individuals should be liable

THE principle of individual liability for fires is a basic part of the law in such countries as France and Germany. It is hard to escape the conviction that this is why the losses in these countries are one-tenth of what they are here. It is an accepted principle of the common law everywhere that a man is liable if his carelessness or neglect results in injury to his neighbor. Wherever this principle has been applied to fires in the United States and Canada, the courts have usually upheld it, but it has seldom been invoked. Probably few citizens in New York City know that the City Charter includes this provision:

Any or all persons responsible for any fire resulting from his or their wilful or culpable negligence shall be liable in a civil action for the payment of any and all damages to the person or property as result of such fire and also for the payment of all costs and expenses of the fire department incurred in the extinguishment of the fire.

To my knowledge that law has only been invoked once and on that one occasion the courts sustained it. If it were really utilized, the fire loss in New York City would practically disappear overnight. A number of other cities have similar legislation but it is seldom used.

It might be interesting to examine into specific situations where a sustained and conscientious effort to arouse public opinion and to take carefully thought out measures to reduce fire losses has been attempted. In other words, once the mass psychology toward fire has been changed, what will happen?

As good an example as I can think of is the case of a middle-western city. I work for the National Fire

Protection Association, an organization devoted to reducing losses of life and property by fire. Some years ago we decided to try out an experiment and we picked out this city because it had at the time a worse fire record than any place of similar size in the country.

I investigated the situation and found that general conditions in that city encouraged high fire losses. Appeals to city officials and civic organizations got no results and it was not until we hit upon the idea of sending a press release to all the important newspapers in the country describing the fire situation in that city that we got action and plenty of it. Our release to the newspapers did not mince matters. I quote a few sentences from it:

The morale of the fire department is at lowest ebb. In recent months some of its best men have been dropped or demoted and men with unfavorable records put in their places. There is practically no fire department inspection of property for fire hazards.

When the people of that city found out that the startling statements we had made were true they had a grand house cleaning. Since then, the *per capita* average fire losses have been consistently about one-third of the former average.

Grand Rapids, Mich., obtained an almost equally startling result. For many years that city had a fire loss averaging around \$7 *per capita*. A fire prevention campaign was started in 1925 and the losses since that time have averaged \$1.25 *per capita*. The idea was simple but it worked. It came from a persuasive and dynamic Irishman who was an official of the Grand Rapids Fire Department. He decided that fires could be prevented just as big sales organizations sell goods—by publicity.

He saw to it that a steady flood of fire prevention material was presented to the people. Milk bottle caps carried fire prevention messages. The newspapers had daily stories. The campaign cost little and it worked.

Other cities that have conscientiously attacked their fire problem and attempted to arouse their people to its importance have obtained equal results, among them Cincinnati, Erie, Memphis, Los Angeles, Philadelphia, Providence and Hartford.

Much progress in fire control has been made in the past two decades. The fire prevention idea is gaining. The fire departments of today are no longer mere water-throwers. But we can't be too optimistic. We can't expect too great results until the psychology of the American people toward fire is changed, either by a long, drawn-out process of persuasion and education, or by the strong arm of legislative action.



*"Parachute
Jumping
is Safe..."*

COMPARED TO SPEEDING
ON THE HIGHWAY" Says
Roger Don Rae

"That's Why I Joined the 'Not-Over-50' Club"

"I'd rather bale out at 500 feet any day than take a chance on the open road at over 50 miles an hour," says Roger Don Rae, Professional Aerial Performer. "That's why I joined the 'NOT-OVER-50' Club."

Did you know that when your car speed doubles, its destructive force is multiplied by four... that more than two-thirds of the motor car fatalities occur on the open highway, mainly as the result of high speed? That's surely reason enough for joining the "NOT-OVER-50" Club, organized by Lumbermens as a contribution to the national safety movement. It costs you nothing to join. Just mail the coupon below for safety's sake.



The "NOT-OVER-50" Club is an important part of Lumbermens program of providing car insurance at cost. Lumbermens insures only careful drivers. It operates economically. This results in the payment of big yearly cash dividends to policyholders. When you insure in Lumbermens you insure at cost.

Whether you are a Lumbermens policyholder or not, join the "NOT-OVER-50" Club now.

Send for Your Free Insignia

The red arrow reminder for your speedometer... the Safety seal for your rear window, and the safe driving creed can be obtained from your local Lumbermens representative or will be sent free upon request. No obligation.

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"World's Greatest Automobile Mutual"

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"NOT-OVER-50" CLUB, 4750 Sheridan Road, Chicago, Illinois
Please mail me.....safety packets described above. I understand that these insignia are free and that this places me under no obligation. ☐ Also send me your booklet *How Careful Driving May Pay You a Dollars and Cents Return*. N. B.-2

Name.....
Address.....
City.....State.....

\$12,000,000 Worth of Conventions

By STANLEY S. FRIEDMAN

Vice President, Miskell & Sutton, Inc.

ALONG Cleveland's winding Cuyahoga River the blast furnaces and factories are sending clouds of smoke over the valley which is the industrial heart of the city. It is a pleasant sight for Cleveland and a mighty contrast to a few years ago.

Throughout the nation the newspapers have been carrying the message that Cleveland has been coming back strong. Retail business up, factories and shops busy, wages up, large crowds filling its hotels and stores. Cleveland is in a gay mood.

No little part in that comeback has been played by the Cleveland Convention and Visitors' Bureau which last year gave Cleveland over \$12,000,000 in new business.

Nearly 200 conventions of a wide variety brought 312,245 delegates and visitors who left in the city's cash registers money that compares to the amount spent for Cleveland's automobile parts, steel, bolts, and just about the same amount as the annual production of the women's clothing industry or the commercial printing industry.

Briefly that is the fiscal aspect of the Bureau's efforts to attract conventions. That new money finds its way into the pay rolls of the Greater Cleveland area and back into circulation. The following concise tables give a quick analysis of the first and second immediate turnovers of "convention dollars."

The first turnover:

Retail stores (all types)	31 cents
Hotels	23 "
Restaurants	18 "
Garages, gas, oil, etc.	10 "
Miscellaneous	10 "
Amusements	8 "

The second turnover:

Pay rolls	29.7 cents
Food supplies	26.8 "
Rent, taxes, etc.	22.2 "
Light, etc.	8.6 "
Profit	5.2 "
Miscellaneous	7.5 "

The Cleveland Convention and Visitors' Bureau hit a new high in the field of civic investments because it has returned \$200 to the city for every dollar invested in 1936 to attract new conventions. All

this with no large plant or big pay roll. In fact, a modest suite of offices in the Terminal Tower of Cleveland houses the entire "plant" and small staff of the Bureau.

Competition for conventions

DIRECTING the Bureau are two "youngsters" who thrive on work and who have travelled from coast to coast as Cleveland's star salesmen. They have to be good, because every major city is fighting for the lion's share of the "convention dollars." Mark Egan is manager, and Glenn O. Glauser, assistant manager, of the Bureau.

Egan began his public career with the Chicago Crime Commission upon graduation from Northwestern University not many years ago. Soon he found himself in the hotel business and then in the field of conventions, first in Pittsburgh as convention bureau manager and then in Cincinnati. A call from Cleveland to

head its bureau brought Egan northward, filled with enthusiasm and with a big job waiting for him.

He found a city with plenty of assets but still dazed from the terrific body punches it had received from bank closings and the crumbling of business. Rolling up his sleeves, Egan made the city sit up and take notice.

Glauser handles the files which, through a simplified system, make it possible to watch more than 4,000 conventions throughout the country, keep a constant running-account of each of them, and lay plans to bring a goodly share of them to Cleveland.

Often the two work two and three years in advance to capture a large gathering. In addition to these files, the Cleveland Convention and Visitors' Bureau has complete information on every aspect of the city from the number of hotel rooms to the seating capacity of the many units of the spacious Public Auditorium. The files are always available to groups planning to come to Cleveland.

What this means to a large convention may be gathered from the fact that both the Republican National convention last summer and the American Legion convention in September depended on the bureau for arrangements for housing facilities and the whole host of details that make up the business of arranging a convention. What is true of these two outstandingly large conventions is likewise true for many smaller ones.

And this job must be well done because every well handled convention means that the city has made new friends and has gathered word-of-mouth publicity for itself. Apparently former visitors have been pleased because the outlook for 1937 is very good, according to Egan who has just returned from an extended trip to get conventions for next year. Already the Bureau records show it ahead of last year in volume of business obtained.

Checks Counted by Weight



ANDREW R. BOONE

CHECKS run 350 to the pound. This discovery saves the Security-First National Bank of Los Angeles the task of counting millions of checks. Now they weigh them for statistical records. Here are 2,779 on the scale.

Controlled Prices End Democracy

(Continued from page 17)

is needed, any one of them or a number of them acting together can so reduce the supply of the commodity as to keep prices substantially at levels of their own setting. A considerable body of thoughtful business men believe that, in the long run, agreements and understandings promoting such price stabilization will serve the best interests both of business and consumers.

Advantages of price-fixing

THE justification for price stabilization by producers rests on several points. It tends to eliminate the chiseler. It puts competition on a quality and not a purely price basis, thereby enabling the manufacturer to estimate his margin of profit more accurately. It protects wages which might otherwise be reduced to meet a disastrous price-cutting war. It recognizes the importance of indirect and overhead costs and the impossibility of adjusting them to pronounced price fluctuations.

One method for obtaining such stabilization has been through what are called open price associations whereby members of a trade association report individual prices to a central agency for circulation among the trade.

Although the idea was current before the War, it was not until 1921 that the movement got seriously under way. The Federal Trade Commission made a survey of open price associations and found some 150 of them distributing or exchanging price information. The same year the new Secretary of Commerce, Mr. Hoover, gave this form of price management a real fillip by beginning publication of the *Survey of Current Business*. This publication was largely based on trade association statistics made available through what was called a cooperative plan, whereby the Department of Commerce offered to receive and publish information on production, stocks, shipments, capacity, orders and prices collected by trade associations.

Scarcely had this Government effort been announced when the Supreme Court handed down its decisions in the American Column and Lumber case (1921) and in the American Linseed Oil Company case (1923).

In the former, an association of hardwood manufacturers, representing approximately one-third of the total output, maintained a central

office to which each member reported stocks on hand, production, shipments, prices and the names of his customers. The secretary of the association then forwarded the members summaries of these data and suggestions as to market conditions and production in the near future as well as suggestions as to future prices. Said the court:

Convinced as we are that the purpose and effect of the activities of the "Open Competition Plan" here under discussion were to restrict competition and thereby restrain interstate commerce in the manufacture and sale of hardwood lumber by concerted action in curtailing production and in increasing prices, we agree with the District Court that it constituted a combination and conspiracy in restraint of interstate commerce within the meaning of the anti-trust act of 1890 and the decree of that court must be affirmed.

The decision in the American Linseed Oil case was even more sweeping. Here 12 manufacturers maintained a similar bureau by which members agreed under penalty to adhere to the schedule of prices they reported and to give notice of departure therefrom. The court was unanimous in viewing such activity as illegal under the Sherman Act.

In the next case that came along, however—the Maple Flooring case, 1925—the rulings of the earlier cases were considerably modified. At any rate, a distinction was found in the fact that the Maple Flooring Association reported only the prices on closed transactions to the central bureau of the trade association, and these in turn were released to the trade with no identification of the individual member. The association, moreover, gave its reports wide circulation, publishing them in trade journals as well as communicating them to the Department of Commerce.

Public reports were held lawful

EVEN so, it remained clearly unlawful for a trade group or association to ask for current or anticipated prices and, in circulating any price data, to identify the quotations of individual concerns. All reports must be available to customers and public alike, there must be no agreement not to deviate from quoted prices, no insistence on reporting changes in price, no waiting periods and no penalties for failure to comply with the association plan. Clearly attacks on the American system were not making much headway from this angle.

Yet, by 1933, what with the application of "the rule of reason" in interpreting the Sherman Act and the growth of price dominating units in many industries, several breaches had been effected in the American system. And as the shadows of the depression deepened, people began to see, or thought they saw, that this American system was seemingly incapable of restoring anything like economic equilibrium.

Increasingly price relationships grew farther and farther out of adjustment and increasingly there were those who advocated serious alterations in the whole system. Even the Supreme Court in the Appalachian Coals case, 1933, had sanctioned a combination of coal operators pooling their output through a commonly owned selling agency.

Control by producers

THEN came the National Recovery Act under which producer control of prices became legally and economically respectable. Industries which had been able to accomplish something in this direction became the envy of those that had been clinging to the strictly competitive system. Many had had no choice in the matter. In scores of lines the number of individual units had been too numerous to make voluntary cooperation feasible. Some concerns would never have gone with the crowd anyway. But, if the American system encouraged the ruthless price cutter, there seemed to be a case for changing the system. Only by setting some floor—actual cost, for example—below price, it was believed, could industrial operations continue and profits and employment be maintained. And the setting of this floor necessitated compulsion. *Laissez faire* freedom to compete had to give place to regimentation of the individual economically and, if it were to be effective, to political regimentation as well.

Such was the spirit of NRA. The usual device for price control provided for open price filing which had previously been of such questionable legality. Open price arrangements of one sort or another appeared in 444 codes.

The economic effect of the codes in the brief period in which NRA was operative is difficult to appraise. Ruthless price cutting was largely stopped, but this may well have been due to other features of NRA. The advantages of the chiseler, at any rate, were certainly curtailed be-

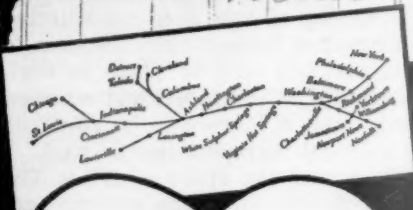
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After closing your books, that's where your company should be this year—out of the red like the plants that have profitably relocated along the Chesapeake and Ohio! If it isn't, investigate this great industrial territory!

Along the tracks of this railroad are tremendous sources of basic raw materials together with abundant supplies of coal, gas, and oil—power is cheap. The finest class of labor—American-born—is plentifully available. And remember, this territory is served by the finest fleet of genuinely air-conditioned trains in the world—you Sleep Like a Kitten and Arrive Fresh as a Daisy!

Let George D. Moffett, Industrial Commissioner of Chesapeake and Ohio Lines, open your eyes to new profit possibilities! Wire or write him at Huntington, West Virginia.



CHESAPEAKE AND Ohio LINES



cause, if he lowered his prices, the waiting period of from five to ten days gave his competitor a chance also to lower his, consequently minimizing the competitive advantage attributable to price cutting.

With the Schechter case it all came to an end. The American system was restored.

A new system for America

THE significant fact about NRA provisions for producer control of prices lies in the fact that the experiment meant a wide divergence from the American system. Price control by tightly knit industrial groups acting in close cooperation is the essence of the fascist economy. Fascism began when Mussolini gave his support to just such steps by the great iron and steel manufacturers of Lombardy, and it has been continued on this basis though with increasing domination by the state.

Attacks on the American system have come not only from producers seeking to control prices but from government itself. The Fifth and Fourteenth Amendments to the Constitution providing that a person may not be deprived of property without due process of law have proved a substantial but not altogether effective bulwark against such attacks. The temptation has been great and loop-holes have been found.

The temptation grows out of the popular conviction current every now and then that some social end or other may best be attained by setting aside the American system and going back to the medieval practice of governmental price fixing.

The loophole is found in the expansion of the doctrine of "enterprises affected with a public use," a doctrine devised by Lord Hale of England and originally quite unknown to the common law. Under this doctrine the courts have upheld governmental fixing of charges for the storage of grain in elevators, electric current, gas, water, dock and wharfage charges, fire insurance and some others. Until recently, however, the line has been tightly drawn between enterprises affected with a public use and those not so affected. Time after time the courts have thrown out efforts to fix, either directly, or by implication, the price of such commodities and services as theater tickets, employment agencies, gasoline, ice and other things of common consumption.

Recently, however, this area has been considerably extended by the inclusion of milk in New York. The case of *Nebbia vs. New York*, 1934, is of more than passing interest. The New York legislature, by an act of

1933, set up a milk control board with power to fix retail prices of milk. It set nine cents a quart as the retail price. *Nebbia*, the proprietor of a grocery store in Rochester, sold two quarts of milk for 13 cents and was brought to trial. His defense was the Fourteenth Amendment.

The court, however, held that milk was a "paramount" industry, that it represented an investment of a billion dollars, that milk prices are subject to great instability due to the fact that a surplus must be carried at all times, and that losses on this surplus milk ought to be pro-rated equably among producers and dealers and that the milk business had, as a matter of fact, been regulated in other respects for years.

The implications of this are far reaching. For example, many states have laws regulating the production and refining of petroleum. Gasoline is a paramount industry. Billions are invested in its production, refinement, and sale; a surplus must almost always be carried; therefore, why may not the states fix the price of gasoline? And if gasoline, why not other things as well? If this doctrine is allowed to expand, we are headed for forms of price setting quite opposed to the American system.

Difficulties in enforcement

THERE are grave difficulties in the way of government price setting under a democratic form of government, not the least of which is the incentive to bootlegging. Government's difficulties in enforcing statutory prices are reduced, however, if the Government possesses dictatorial powers and still more so if, in addition, the Government itself owns and operates the means of production. But such conditions as these are characteristic, not of the democratic, but of the communistic state.

Thus in Russia price fixing rests not so much on political power as on Government ownership and operation of industry and agriculture. If the United States Government owns the farms, it can set the price of wheat at any figure it pleases and, since it is certain to fail in its attempts to fix prices while farms remain in private hands, the pressure toward collectivistic control becomes evident. Hence, while price fixing by producers tends toward fascism, so price fixing by government, at least on any large scale, leads to communism.

Consumer price control represents the third of the methods of price setting. With the passing of the depression and with the restoration of prosperity, accompanied as always by rising prices, the offensive against

the American system is passing to some degree and probably increasingly to consumers.

There are three ways in which consumers might conceivably proceed—through boycotting and black-listing concerns which do not offer attractive prices, through cooperative buying on a sufficiently large scale to influence the market by withholding purchases, by obtaining favorable terms on a quantity basis, or through setting up enterprises to produce goods and render services for themselves or to serve as yardsticks by which to measure and, by implication, control prices in selected fields of enterprise.

Conspiracies are illegal

HOW does the law stand with regard to these procedures? So far as boycotting and blacklisting are concerned, the law is clear. Any attempt by producers or consumers to enter into agreements to boycott particular concerns or to circulate black-lists is a conspiracy in restraint of trade and unlawful under the Sherman Act. Labor unions tried this, and in the *Bucks Stove and Range* case, 1911, and in *Loewe vs. Lawlor* (the famous *Danbury Hatters* case), 1908, such methods were severely condemned. That line of approach is closed.

Consumer control of prices through cooperative buying as distinguished from the cooperative buying and selling enterprises of the Rochdale type is a comparatively new line of attack on the competitive system. The chief obstacle to this method is found in the fact that the number of consumers is so great, and organization, therefore, difficult. Should the movement gain headway, and enough buying be done by consumers' cooperatives, the time might come when, merely because of the size of their orders, they could appreciably control market prices. But that is certainly far in the future.

If the aim of consumers' cooperative buying is to place big enough orders to obtain quantity discounts, recent legislation would seem to interpose a check. The Robinson-Patman Act, although specifically exempting the dividends of cooperative associations from its prohibitions, declares "that it shall be unlawful for any person engaged in commerce . . . either directly or indirectly to discriminate in price between different purchasers or commodities of like grade and quality." Until the courts interpret that law, the position of consumer cooperatives, so far as this particular procedure is concerned, is highly questionable.

The third method whereby con-

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sumers may control price is through producing their own goods in sufficient quantities to supply most of their own needs, or at least enough to serve as a yardstick to force other producers to lower their prices. This is the new direction which consumer control of prices is taking. Already successful to a considerable degree in England, Sweden and other parts of Europe, it is making headway in this country.

How successful is this device? Of course, the example of Sweden is always cited. In that country, in 1934, the wholesale cooperatives alone did a volume of more than \$40,000,000 covering such lines as groceries, manufactured goods, furnishings and hardware, footwear and dry goods. From the retail angle, *Konsum*, seen in every Swedish village and town, gets a large share of the local retail business. There are more than 4,000 of these stores and behind them a federated organization that reaches clear back to production.

In some lines, such as flour, the consumer cooperatives own some of the largest mills, but in other lines the yardstick effect of small scale operations is enough to do the trick. The cooperative opened one small factory to make galoshes and the

price dropped \$1.20 a pair. With the opening of the Luma Electrical Works, cooperatively owned, the price of lamp bulbs dropped from 37 cents to 17 cents. Controlling from five to 25 per cent of the output, the consumer cooperatives are able to influence the entire price structure. Might the same results be expected in this country?

Probably not, because the Swedish cooperatives were attacking powerful monopolies. The electric lamp cartel, for example, extended over several European countries and was particularly vulnerable.

However sympathetic one may be with the efforts of consumers to exercise a wide control over prices, the fact remains that most of the procedures proposed thus far run counter to the basic premises of the American system. In the face of the obstacles they are bound to meet, the cooperatives are almost certain to seek political sanction and protection.

The larger consumer cooperatives become, the more they will need this protection and the closer they will draw to the state. And a cooperative commonwealth is just another name for socialism. Whatever the future of consumer price setting, it is not the American system.

It Couldn't Happen in Congress Now

(Continued from page 20)

isolation introduced and sponsored by irresponsible groups and many legislators' decided lack of knowledge as to the essentials of federal legislation as well as to their duties as legislators.

Legislation by blocs

WE are developing a bloc system of legislation in which individuals as well as groups, in return for political support, demand legislation favorable to their groups with no regard for the country at large. In the past, certain interests may have tried to influence legislation, but the custom was certainly not as general, or as bold, or as threatening, as it is now. A candidate or a member of Congress is simply swamped with resolutions from organizations demanding in no uncertain terms pledged support and threatening reprisal against those who have the temerity to refuse to be coerced.

The flood of propaganda which a member of Congress receives is unbelievable. Literally thousands and thousands of communications pour

in for and against every conceivable proposition. Thousands written on identical paper, couched in identical words, naturally having no effect on any thinking person, are received daily.

But the greatest menace to the legislative branch of our Government—and one threatening its very existence—lies in the delegation of power to the executive; the abject surrender of many of the expressed constitutional rights and prerogatives of the legislative. To a certain extent this may be permissible in a great national emergency—but then only for the period of the emergency. But no effort seems to be made to return them to the Congress. There is today a concentration of power in the hands of the executive such as our country has never known. Congress seems to have forgotten that these powers are not its own to give away; that Congress is merely the trustee for the people.

Not only has Congress surrendered its powers as a collective body, but as individuals. Legislation drawn by they know not whom, coming from they know not where, with the magic

word "must" written across it is passed without analysis, study, or knowledge of its effect. Never in the history of the country has such half-baked legislation been enacted.

In the past, for example, a revenue or tax bill was months in preparation; the committee held voluminous hearings, every item was studied and the bill was drawn up by the committee members.

Contrast that with the more recent tax bill. An orphan child—no one willing to acknowledge its paternity—it was found on the doorstep of the Ways and Means Committee, one spring day.

Less study of bills

HERE was a bill that definitely overturned the whole tax structure of the country, established an entirely new system of taxation! What happened to it? After a few perfunctory hearings, lasting about three weeks, it was introduced into the House. The membership was given no time to study it carefully as it was reported out almost at once under a strict gag rule that permitted no amendments unless offered as perfecting amendments by the Committee, passed by an overwhelming majority and neither the Committee nor the House knew what it was about, what the effect would be, or how much money it would raise!

At the turn of the century the claim that big interests controlled the Congress might have been true in some instances in the Senate, but the House then was more truly representative of the people. The "bloc" system was not evident in the House but now that system and the delegation of power, if made permanent, constitute the two great menaces to popular government.

We have a labor "bloc" more aggressive and more powerful than ever before; a "farm bloc" more demanding; a strong veteran group insistent upon ever increasing benefits; minority blocs like the Townsend group concerned only with themselves, all pulling and hauling, coaxing and threatening, insisting that their demands be met irrespective of the rights and claims of any other group and absolutely unmindful of the country at large.

In the confusion and turmoil, the ordinary citizen who pursues the even tenor of his way and who eventually pays the bill is forgotten. He asks for nothing and gets it. I fear our motto, *E pluribus unum*, is being interpreted to mean "one out of many" and each group wants to be that one. Why not change it to the cry of The Three Musketeers:

"One for all—and all for one."

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Condensed Statement, December 31, 1936

RESOURCES

Cash on Hand, in Federal Reserve Bank, and	
Due from Banks and Bankers	\$ 660,220,262.99
Bullion Abroad and in Transit	13,202,854.00
U. S. Government Obligations	590,105,249.40
Public Securities	54,432,761.77
Stock of the Federal Reserve Bank	7,800,000.00
Other Securities	23,859,645.56
Loans and Bills Purchased	669,293,384.06
Items in Transit with Foreign Branches	2,258,543.13
Credits Granted on Acceptances	39,514,874.97
Bank Buildings	13,277,131.39
Other Real Estate	477,774.59
Real Estate Bonds and Mortgages	2,322,209.70
Accrued Interest and Accounts Receivable	10,214,178.61
	<u>\$2,086,978,870.17</u>

LIABILITIES

Capital	\$ 90,000,000.00
Surplus Fund	170,000,000.00
Undivided Profits	9,356,562.00
	<u>\$ 269,356,562.00</u>
Dividend Payable January 2, 1937	2,700,000.00
Miscellaneous Accounts Payable, Accrued Interest, Taxes, etc.	27,583,280.45
Acceptances	\$47,501,324.36
Less: Own Acceptances	
Held for Investment	<u>7,986,449.39</u>
	39,514,874.97
Liability as Endorser on Acceptances and Foreign Bills	3,014,142.00
Deposits	\$1,709,643,127.39
Outstanding Checks	<u>35,166,883.36</u>
	1,744,810,010.75
	<u>\$2,086,978,870.17</u>

Securities carried at \$11,416,048.30 in the above Statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

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GENERAL PLASTICS'
DUREZ

Balancing Agriculture with Industry

(Continued from page 24)

Answering this expression of doubt Hugh White replied, "I will put up a personal bond of one million dollars guaranteeing sufficient labor for your plant."

Further to prove the abundance of labor a registration was made. The manufacturer sent his own tabulators. On the appointed day the whole countryside seemed to be emptied into Columbia, and before sundown 1,492 women had applied for work. The manufacturer was convinced.

Then the community had to be convinced of its own ability on another point. The question was logically asked, "How can we raise money to erect a modern industrial building?" The Reliance Manufacturing Company building cost \$85,000. The people of Columbia were no richer than others, and they faced a huge task of collective spending.

Here's how it was done. Mayor White declared a holiday for two hours. Every store closed. Every merchant, stenographer, clerk and school teacher met in a local theater building. There the problem was discussed.

"It's our chance to save our property and our town," Mayor White told them. Almost to the citizen the community responded. Notes were made payable to a committee in charge and payments were spread

over 36 months. Every stenographer had a part to play. School teachers responded 100 per cent. This idea of community obligation invaded every home and the community rallied.

Industries were offered free taxes for five years except for merchandise carried in stock. This proved to be a paying proposition. One of the large industries paid \$10,000 last year in sales, personal and franchise taxes. In 1937, when the exemption period expires, the tax payment to the local and state governments will be even higher.

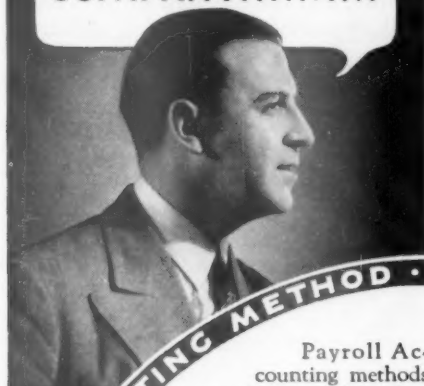
Naturally it would be impractical to move 700 workers south to work in a new plant when opened. Besides the potential workers of Marion County, many of them graduates of modern consolidated schools, needed work. So Columbia met the challenge by establishing a training school. The manufacturer supplied the equipment for the school, the community the headquarters, heat, teaching staff, etc., and the workers gave their time free until they were capable of starting in the plant with a reasonable expectancy of efficiency. It was discovered that these native Anglo-Saxon girls were quick to learn. Manufacturers are enthusiastic over the results attained.

The queer thing about this industry getting business seems to be that the virus is contagious. One industry



The pickle station provides jobs for 25 workers, a market for farmers' cucumbers and opportunities for photographers

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Everywhere treasurers, comptrollers, accountants are planning systems designed to furnish all of the records required for accounting purposes as well as those required for Federal and State governments under the Social Securities Laws.

The keynote of all of this planning is the elimination of rewriting and rechecking, and the speeding up of the preparation of the payroll itself. No method accomplishes these results so effectively as the New Ditto payroll system which has attracted so much favorable comment in the past few months.

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brings another but all of them did not necessarily call for a cash outlay by the community. There were other considerations to be sure—proximity to the port of New Orleans, the climatic conditions which are conducive to economical production, abundance of satisfactory labor.

Advantageous climate

THE one outstanding natural resource of the South is a climate which permits southerners to enjoy the same standard of living as other sections but spend less money for clothes, food, shelter and heat. Columbia stressed this but insisted that she was not interested in sweatshop operators. The same standard of living for the workers but at a saving to the manufacturers is the program offered. This does not infer sweatshop tactics.

As the industrial pay rolls grew, the farm values expanded. Hugh White won national recognition among hog growers when he paid \$22,000 for Joe Orion II, a hog whose imprint has changed the piney wood rooters of Marion County into real lard and bacon producers.

Last year, according to the Mississippi State Department of Agriculture, the farm income of Marion County was \$1,553,000 and the industrial pay rolls totaled \$1,250,000. By June, 1937, it is authoritatively estimated that Columbia's pay roll will reach \$1,600,000. If the farm income remains the same in 1937, the situation will be pretty well balanced with a score standing: Industry, \$1,600,000; Agriculture, \$1,553,000.

The J. J. White Lumber Company ceased operations as predicted and 800 men were laid off. Nevertheless, the population of Columbia jumped from 4,833 to an estimated 6,000.

Eight years ago property values had stagnated in Columbia. Vacant dwellings, offices, and store buildings were plentiful. Today property values are above their former peak. There is not a vacant building in town, although 60 new buildings have been constructed within the past year. The state sales tax figures, an index to retail sales, reveal that business is better in Columbia than any other Mississippi town.

In these eight years the community has acquired eight new industries with a total pay roll of \$950,000 and other local expenditures exceeding a quarter million.

So the plan to balance Mississippi agriculture and industry has had a laboratory test. If a community which faced a certain death can completely reverse its destiny by balancing agriculture with industry perhaps a state can do it.

DON'T DO ANYTHING
UNTIL YOU INVESTI-
GATE THE DITTO
PAYROLL SYSTEM



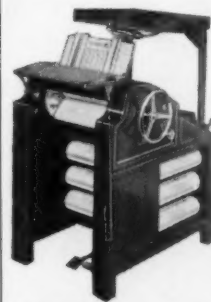
The Ditto payroll record system produces your Employees Earning Record, Payroll Summary Sheet, Government Reports, Payroll Envelope or Payroll Check, and Employee's Statement—all from one writing.

By the Ditto method your original payroll sheet or employee's unit record provides all of the facts, and is the only writing necessary. It can be prepared with an addressograph, with a typewriter, a pencil, pen and ink or any combination of these.

The advantages of the Ditto system are—its low initial cost—its low operating cost—its unmatched flexibility—its speed and accuracy. One medium size textile mill recently wrote us—"With the Ditto system we have eliminated the time of two clerks in writing our payroll records."

Free!

If you would like to learn how Ditto can effect savings on your payroll record system, simply sign and return the coupon below.



Please send me information showing how Ditto can effect savings on my Payroll Record System. No cost or obligation.

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CHICAGO, ILLINOIS

DITTO • DITTO

Trailers Bring Families and Problems

(Continued from page 34)

stationary families is a neat, new house. Our fear is that they find migrancy too attractive to give up. There is much evidence this is so."

All of this use of the term "migrant" assumes a far different atmosphere than that in which the word has been used in the past.

Today, owing to the trailer, it may mean a millionaire, a moderately-circumstanced family or, naturally, an indigent family or individual as before.

States have attempted to embargo migrants with less than an arbitrarily fixed amount of visible financial support, California being the most prominent state attempting to keep out the poorly-financed migrant. But this tendency has all but disappeared as the real significance of the traffic has been increasingly revealed, and its scope expanded by the great drought of last summer, with many thousands of new road families appearing from the drought-stricken areas.

The low-cost migratory camps which are now appearing usually have sufficient space for about 200 families, and wooden tent platforms are provided on which the migrants may pitch their own tents if they wish to have more space than their trailers provide for an extended stay.

There are sanitary toilets in a central service building, running water and tubs in which the women may do their washing. The interiors of such buildings are fitted up as play rooms for the children in inclement weather. A public health nurse is in attendance to inspect families applying for entrance and help in cases of emergency illness.

Maps showing all the cultural services, churches, li-

braries, etc., in the community, are sometimes provided for the trailer dwellers.

In California, the State Government has set up funds to be paid local school systems for receiving children of the migrants in the grades.

Taxpayers are interested, whether they realize it or not, in all these changes in American life, since those taxpayers who remain stable in communities losing population are left to "hold the bag" for all public costs for highways, schools, police and political systems which are governed by ordinances and constitutions not easily or quickly repealed.

Those who plan future school and public service expansions are studying the probabilities involved in the turn to trailer life. The art of Land Use Planning, in which all 48 states are interested through their Land Use Planning Divisions, has added these factors to its set-up.

A wide variety of trailers

THE trailer dwellers include long, lanky Oklahomans and Texans, with small heads, blue eyes, an Abe Lincoln cut to the thighs, and surrounded by tow-headed children; bronzed New Mexicans with a drawl, clean-cut features and an aggressive spirit; men and women from Arkansas, Arizona, Missouri, Kansas, and the Dakotas.

When they are on the road, all their worldly possessions are piled into car and trailer, and covered with old canvas or bedding, with perhaps bedsprings atop, a small iron cook-stove on a running board, a battered trunk, lantern, and galvanized iron wash-tub tied on behind. Children, aunts, grandmothers and a dog are jammed in,

stretching the capacity of the equipment incredibly. A neighbor boy may sprawl on top of the loaded trailer.

"Relief?" they grin. "I wouldn't have it no way it was fixed! We're getting by, making some progress and have found we don't have to take relief. That's something, mister!"

That is the real reason many first "hit the highway."

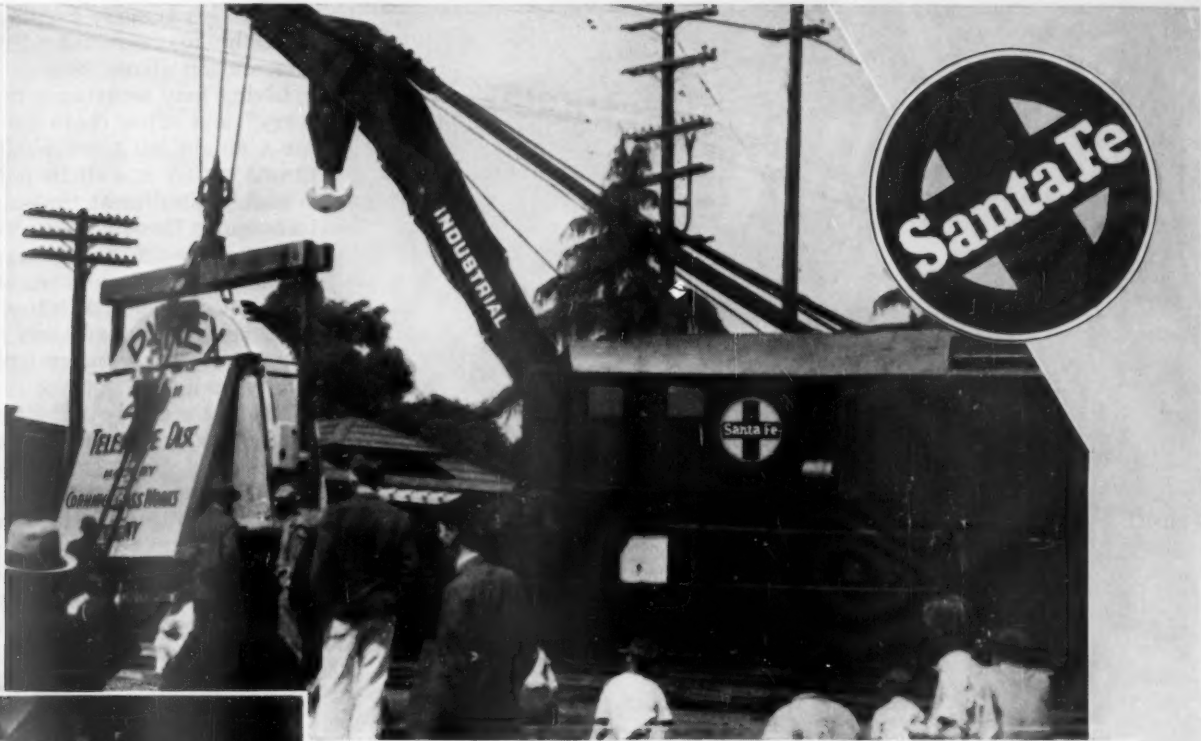
At first, the life of the economic migrants is hard. It is not a succession of vacation camping trips. Jobs are precarious until the men and women "learn the ropes," and even then remain precarious for those who are not so alert as others in judging



Make-shift outfits like this are common among families just taking to the road. If jobs prove plentiful, they get better equipment

A home-made gasoline covered wagon. Such equipment is common and growing commoner





Journey's End, Santa Fe Unloads the Great "Eye" at Pasadena, California



Dr. Geo. V. McCauley, the man who made the disk, in the center aperture of the 200-inch eye

Santa Fe

Pets a Precious Package

Certain men craved to probe deeper into the beckoning mysteries of space than ever man had done before • Impatient of limitations, they turned to the genius and craftsmanship of other men to create them such an eye as would extend vision to fantastic distances • These men labored long, and achieved a lens of incredible power • But now the width of a continent divided them from the point where the great eye must be pointed toward the heavens. Futile their triumph unless the gap could be safely bridged • So still other men were summoned. Men who ran railroads. Men whose solution of the complex and varied problems involved in the transportation of goods had spread people and industry and agriculture and science from ocean to ocean • To these other men was given the delicate job of moving thirty tons of precious fragility across valleys, rivers and mountains.

• For over 1,750 miles the safety of California Tech's immense steel-encased jewel was entrusted to the Santa Fe. It traveled "special," slowly but steadily, by day only. It was attended by officials and engineers. By night it was parked, flood-lighted, guarded like a potentate. In the mountains a gasoline "scooter" scouted ahead against any possible obstruction. It reached Pasadena on the tick, was unloaded by a giant Santa Fe crane, delivered. Again Santa Fe had justified the confidence of shippers.



A Jewel Case of Steel



Statement of Condition December 31, 1936

Assets

Cash, Due from Banks and Bankers	\$225,816,844.48
Exchanges for Clearing House	59,575,789.07
U. S. Government Securities	448,876,817.60
Demand Loans	76,987,807.26
Time Loans and Bills Discounted	175,958,645.81
State and Municipal Bonds	31,084,970.87
Stocks of Federal Reserve Bank and Bank for International Settlements	2,280,000.00
Other Securities and Investments	16,710,948.99
Mortgages Owned	2,307,390.52
Banking Premises	19,822,258.48
Real Estate Formerly Occupied as Banking Premises	1,343,562.79
Accrued Interest and Accounts Receivable	3,607,820.87
Customers' Liability on Acceptances	8,361,325.12
Liability of Others on Acceptances, etc., Sold with Our Endorsement	6,438,611.05
	<u>\$1,079,172,792.91</u>

Liabilities

Capital	\$ 25,000,000.00	
Surplus Fund	50,000,000.00	
Undivided Profits	23,937,771.18	\$ 98,937,771.18
Contingency Fund		8,200,000.00
Deposits	910,920,321.14	
Outstanding and Certified Checks	42,700,840.17	953,621,161.31
Dividend payable January 2, 1937		1,250,000.00
Unearned Interest		163,989.52
Reserve for Taxes, Expenses and Accrued Interest Payable		1,288,006.97
Outstanding Acceptances	13,254,899.73	
Less Amount in Portfolio	3,981,646.85	9,273,252.88
Acceptances, etc., Sold with Our Endorsement		6,438,611.05
		<u>\$1,079,172,792.91</u>

Assets carried at \$2,950,347.20 have been deposited to qualify for the exercise of
fiduciary powers and for other purposes.

DIRECTORS

SEWARD PROSSER, <i>Chairman, Managing Committee</i>	A. A. TILNEY, <i>Chairman of the Board</i>
HENRY J. COCHRAN, <i>Vice Chairman of the Board</i>	S. SLOAN COLT, <i>President</i>
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LONDON OFFICE: 26 OLD BROAD STREET

Member of the Federal Deposit Insurance Corporation

possible job areas or keeping in touch with the many forms of grapevine information about jobs.

Living may sometimes be "kind of sorry" and often there are ten men for a single job when too many migrants gather at a single point. But it is highly significant that, even when technically "broke," they always are able to move on to a better spot.

The automobile and trailer become vital necessities of life to these people, and the cost of their operation and upkeep cuts a large figure in the family budget.

The car must be fed gasoline and oil to make the next harvest, or to get to and from the jobs, and its wheels must be kept shod perhaps more carefully than the feet of the children.

Conditions now are probably harder than they will ever be again, because the poorer trailer migrants at present are pioneering a new aspect of American life. They are gaining the experience and doing what suffering has to be done in such enterprises.

They are bearing children on the highways, marrying on the highways, celebrating on the highways—learning to live differently from the ways masses of Americans have lived before. They cannot be discriminated against.

They serve an economic cause or they could not exist and, in so many cases, prosper as trailer population. Their numerous children are citizens of the future whose quality is being determined today in the kind of educations made available to them, and in their early training to a life of motion.

Economists consider their mobility is excessive, its social cost great, and that measures to stabilize them might be worked out, if undertaken now.

But, excepting governmental activities of doubtful scope and effectiveness designed to stabilize perhaps a few hundreds out of the millions of their total, nothing is being done in this direction. So there seems at present no greater certainty than that this phenomenal movement to a life on wheels will expand much farther before it even begins to ebb.

History Sells Goods

ESTABLISHING a highly successful enterprise in a commercially undesirable neighborhood is the achievement of a number of retailers in widely divergent lines, in Santa Cruz, California.

Faced with the problem of making a living despite steadily mounting

store rents, a number of small dealers banded together some years ago and moved entirely out of the business district.

Picking a "poor" site

FOR their cooperative effort they selected a site which at first glance seemed utterly futile. Santa Cruz is a beach resort city, and the merchants built a public market on some vacant land close to the beach and comparatively far removed from the regular retail section.

Their endeavors were at first derided by other merchants. Although thousands of tourists passed the location during the summer months, they were either going to or coming from the beach.

It seemed unlikely that passers-by would interrupt their pleasure to do any shopping. But the operators of the new market had an ace up their collective sleeve.

The building was constructed on an historic site that had once been occupied by the "mercado publico" or public market, during the romantic Spanish and Mexican days in California.

Long before the coming of American settlers, plodding burros brought loads of fruit, grain, produce and leather goods, to this same spot for sale among the Spanish and Mexican population.

Building in Mexican style

THE promoters of the modern enterprise wisely adhered to the Mexican style of architecture, although the building is of wood instead of adobe as was the market structure which first stood here.

Forming a complete quadrangle open on all four of its inner sides, the Santa Cruz market occupies about half of a city block and handles such widely different merchandise as groceries, leather goods, fruit, home-made jams and jellies, cats, dogs and canary birds. Even the open space—the "patio"—inside the quadrangle, is put to use.

Here nurserymen and seed merchants maintain attractive displays of flowers and shrubs.

By emphasizing the historic significance of the site and making their establishment odd and attractive, the merchants have been rewarded by a tremendously increased volume of business.

As in the case of the man who built a better mouse trap than his neighbors, the world has made a path to their door. But the Santa Cruz merchants go this mythical character one better—they sell the mouse trap!—BOB MCLEAN.



How much do your truck tires cost?

The cost of any tire can never be determined until the mileage of that tire is run.

The initial price paid for a tire is unimportant. The final cost is the only basis of comparison.

Recognizing these fundamentals, General Truck Tires have always been built stronger—to do their work better and deliver greater mileage.

It costs more to build a General Truck Tire because of the way it is built. Thousands of truck operators know it costs less to use Generals because of the way they perform.

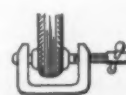
Your local General Tire dealer is ready to offer you the benefit of his factory-training and practical truck tire knowledge. He may be able to reduce your tire costs materially.



STRONGER All plies are full plies anchored at the bead—no floating "breaker strips"—every inch and every ounce is there for just one purpose—to produce more miles and a lower cost for you.



COOLER They flex uniformly without that heat-producing "hinging action" of ordinary breaker-strip tires. Heat kills the life of cords and cuts down the miles in a tire. Generals are cool—that's why they run more miles at a lower cost for you.



"COMPACT RUBBER" TREADS All tires stretch due to fatigue in the fabric, but Generals, having no idle, half-way plies, stretch least of all. The tread is kept compact and compressed against the road—that's why it produces more miles and reduces your cost.

THE GENERAL TIRE & RUBBER COMPANY • Akron, O.
In Canada—The General Tire and Rubber Co. of Canada, Ltd., Toronto, Ont.

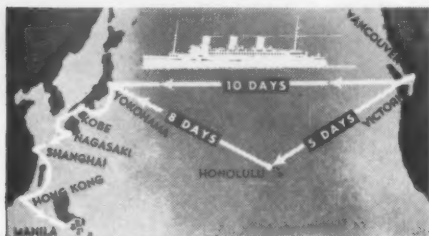
GENERAL TRUCK TIRES

The ORIENT in 10 days!



A hat-basket
in the Philippines

Make the trip in the royal manner—aboard de luxe *Empress* liners. The great, white *Empress* fleet holds every speed record on the Pacific. 10 days direct to Yokohama or 3 days more via Hawaii.



Canadian Pacific

For rates and sailings, see YOUR TRAVEL AGENT or Canadian Pacific: New York, Chicago, San Francisco, 38 other cities in U. S. and Canada.

The Terry Penfiller

The new Terry Penfiller, the plastic case for which Reynolds designed and molded, is novel, surprising, attractive; a time and irritation saver. You simply insert the fountain-pen point—and push. The pen fills automatically; only the nib touches the ink.

Here, Reynolds Plastics provided beauty and eye-appeal, design-strength and durability, a wide range of colors. Reynolds Plastics simplify the assembly-job, lower costs, and create instant customer demand.

YOUR product may not be novel. But salability often reaches novel heights when you think of it in terms of Reynolds Molded Plastics.

and ...REYNOLDS MOLDED PLASTICS

Plastics—to justify their tremendous role in modern industry—must be essentially a design-and-precision job. Therein lies one reason for Reynolds' startling success as major supplier to leading manufacturers. Reynolds' long experience in design and precision molding offers excellent service to industry. And Reynolds keeps promises and makes delivery on time, no matter how large the order.

Submit your problems for a confidential report carrying no obligation. The booklet "Modern Plastics" details Reynolds' service. Send for a copy. REYNOLDS MOLDED PLASTICS, Div. Reynolds Spring Co., 1303 Reynolds Bldg., Jackson, Mich.

REYNOLDS



Plastics

BAKELITE • BEETLE • DUREZ • PLASKON • RESINOX • TENITE



The "Forgotten Men" of Commerce

(Continued from page 46)

competition. Meanwhile, these harsh working conditions, condemned by retailers and consumers, have resulted in a great deal of labor unrest which affects all stores.

As for a remedy, I propose the enactment by states, and not by the federal Government, of sound and reasonable minimum-wage and maximum-hour laws, with interstate compacts between neighboring states. I realize, of course, that the New York State Minimum-Wage Law was recently held unconstitutional. It is my belief, however, that this law was defective in that it provided for a "living" wage instead of for a fixed minimum wage, based upon services rendered. If necessary, however, we should go to the public for the right to enact these state laws.

Retailers have done little or nothing to stamp out the three evils of predatory price-cutting, misleading advertising and labor chiseling. No wonder, then, that others should have stepped into the breach. No wonder reformers and pressure groups should have raised the old familiar battle cry: "Let's pass a lot of laws!" No wonder that these efforts should have proved so successful in the past year or so. Witness the Robinson-Patman law. Witness the "price-fixing" laws which have already been passed in more than a dozen states. Witness the drive in Congress to pass an advertising "censorship" measure and also to legislate against any retailer who manufactures his own product.*

Danger of overregulation

IF THIS legislative drive continues, it won't be long before retailers become an aggregation of glorified slot-machines. It may be that some retailers have little objection to serving the public in this mechanical capacity. But most of us object strenuously. We want to continue to run our stores as independent merchants, free to engage in fair and open competition. We want to remain free to effect such savings as buying skill can accomplish, to pass such savings on, in the form of lower prices, to consumers.

The objection to legislation as a remedy for unfair practices is based upon the belief that legislative "cures" are invariably worse than the disease. In attempting to curb unfair

*See "New Battle Lines are Forming," by Wright Patman, in December, 1936 NATION'S BUSINESS.

competition, these laws also restrain that fair competition which is the life of trade.

Self-regulation is a better way of regulating business than is governmental control. Retailers, however, can never have self-regulation merely by wishing for it. Therefore, as a constructive suggestion may I offer the following simple platform for all retailers:

"Let's join hands with Mr. and Mrs. John Q. Public."

The public should be told

TO EFFECTUATE this, there should be in every important retail center, a merchant-owned *Shopping News* publication. These publications should discuss on the front page of each issue the most important problems affecting retail distribution. This presentation of facts should not be considered as a privilege, but as a duty. For years, retailers have claimed that they acted as purchasing agents for the consuming public.

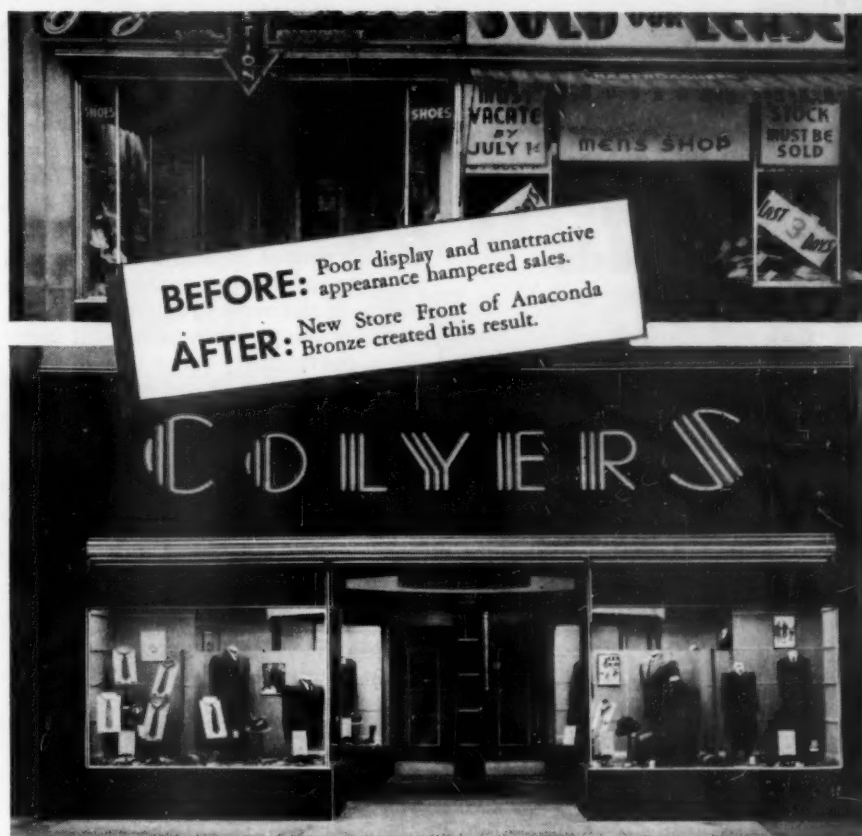
Very well then. A good buyer for the public should certainly render an account of his stewardship.

Consumers should be told what they have a right to expect in the way of fair competition, truthful advertising and decent working conditions. They should be warned against loss-leaders, general underselling claims and all the other unsound devices that retail groups and consumer organizations have condemned. Tell them that these abuses impose a heavy burden upon the cost of retail distribution, and that this burden is one which they must shoulder.

The Robinson-Patman Bill, for example, might have failed to pass if retailers had merely told their customers the simple facts about the measure. To begin with, not one customer in a thousand knew of the existence of this bill while it was being debated in Washington. Furthermore, not one customer in 10,000 knew what effect this bill would have on his or her cost of living. Any school boy could safely predict what would happen if retailers had promptly disseminated, in large doses, the following information to their customers:

In the opinion of the General Federation of Women's Clubs and other consumer organizations, the Robinson-Patman Bill will add \$750,000,000 annually to the consumer cost of food alone. This is tantamount to levying a food-tax of six dollars a year upon every man, woman and child in the country.

Of course retailing should become articulate for something more than merely advising the public to defeat such measures which adversely affect retail distribution. This is but a small part of the program with which re-



Photos Courtesy Pittsburgh Plate Glass Co.

Store fronts of ANACONDA BRONZE pay big dividends!

Successful retail merchants use Anaconda Architectural Bronze to add a note of quality in the display of merchandise.

RETAILERS are finding commercial value in the lasting beauty and utility of bronze. This store front in Newark, N. J., indicates the trend. It brings character and distinction to the merchandise displayed therein.

And Anaconda Architectural Bronze is as economical as it is suggestive of quality. Durable and absolutely rustproof, it renders permanent service. It is easily cleaned and

may be kept in its original state with only occasional attention. Even when bronze work has been neglected, cleaning and polishing quickly restore its natural lustre.

Good merchandising is essentially the same problem on America's "Main Streets" as it is on Fifth Avenue, New York. And on Fifth Avenue, 80% of the store fronts are bronze. The American Brass Company is the principal supplier of bronze, copper and nickel silver in the form of extruded shapes, drawn shapes, sheets, etc., as used in the construction of ornamental work of every description.



Anaconda Copper & Brass

THE AMERICAN BRASS COMPANY, General Offices: WATERBURY, CONNECTICUT
Offices and Agencies in Principal Cities . . . In Canada: ANACONDA AMERICAN BRASS LTD., New Toronto, Ont.

Millions need gum massage in this age of soft foods

MODERN oral hygienists declare emphatically that brushing the teeth is only the first step in proper present-day care of the mouth. In addition, almost everyone's gums need regular and systematic attention to keep them firm and healthy.

There are several reasons why gums should require this special care. Most prominent, perhaps, is the fact that so many of the foods we enjoy are too soft and fibreless to require more than a few perfunctory chews. Since gums are deprived of the exercise of chewing, we must stimulate them to health and hardness by the most generally approved substitute for chewing—*massage*.

If you notice a weakening in your gums—if a tinge of "pink" appears on your tooth brush after brushing—go see your dentist. He is the only one who should be permitted to decide whether some serious gum disorder threatens—or whether your gums are simply lazy, under-exercised.

If he makes the latter diagnosis—if he suggests regular gum massage with Ipana—heed his advice! Ipana is an excellent medium for massage of the gums. For 20 years Ipana has worked closely with the dental profession. Doubtless your own dentist is familiar with Ipana's many contributions to better oral health.

But don't wait for gum weakness to develop! Get a tube of Ipana today. Rub a little Ipana on your gums after you've brushed your teeth. You'll soon notice a sounder tone to your gums—a pleasing new sparkle in your smile.



For sounder teeth and healthier gums

MASSAGE AND
IPANA TOOTH
PASTE

tailers should go to customers. A complete program would consider the problem of waste in retail distribution. It would seek consumer cooperation for the enactment of needed legislation such as state minimum-wage and maximum-hour laws. It would seek consumer cooperation to eliminate child-labor and relieve unemployment. It would consider the problem of unemployables and the use of subsidized workshops. It would consider the problem of federal functions, particularly those which usurp the prerogatives of our states and of our merchants as individuals. It

would consider the problems of health, housing and security for all retail employees.

And last, but not least, it would drive everlastingly home the truism that the profit motive in business is the keystone of American enterprise and that, as such, it must not be allowed to perish.

When retailers develop a program like this for themselves, their 3,000,000 workers, and 100,000,000 customers, none will dare say that the merchants of the nation have yet to find their real position in the economic set-up.

Planned Highways and Business

(Continued from page 28)

tions, sidewalks along county roads—cost money, of course, but, under our present system or lack of it, the motorist is actually paying for these things. Why isn't he getting them?

Let us see:

The chief tool of the road builder is the gas tax and the license fee. Both were evolved as a means of speeding up highway construction and, basically, they are sound ways to finance highway improvement. Through these taxes, the road user has taken a huge tax load from property. He has lowered the cost of riding and hauling. He has helped build a \$30,000,000,000 highway transport industry, employing millions. And to do all this, the average road user has paid relatively small charges. As shown by a recent mid-western survey, state license fees and gas taxes amount to only about ten per cent of the total cost of driving the average light car.

Adding up all the state collected motor taxes, and dividing by all the miles the nation annually travels and hauls in motor vehicles, the cost of highway improvement figures at about one-half cent per mile of travel. The cost of the track to run on has been and is cheap.

Motorists had a large hand in creating the gas taxes and license fee. Once they were functioning properly, road users trusted Government to spend the money properly. For the most part Government did. Roads appeared that would carry you to the next town. Stretches of pavement began threading the country.

"That's fine," said the motorist, and gradually he became less and less actively interested in such things as the Cannon Ball Highway Association, the Pottsville to Springdale Road Boosters. And why not? Government was doing a good job.

The depression gets the blame for a lot of unwarranted things, but of a certainty the business let-down dropped a monkey wrench in the vital organs of road building. Pressed by low tax returns from general tax sources, Government began dipping into the revenues derived from motorists in gas taxes and license fees—for these were the only revenues that retained a normal appearance. And so a thousand and one things done by state governments began to be financed by road users—and the habit grew.

Today nearly two-thirds of the states are taking large sums from road user taxes for government pensions, hospitals, docks, unemployment relief, schools and other activities. No one has been able to ascertain definitely the amount so appropriated, but there is ample evidence that, since 1931, about \$750,000,000—enough to end 15,000 of the country's most dangerous grade crossings—has been removed from highway funds.

Road users pay annually something like a billion dollars a year in state gas taxes and license fees. The U. S. Bureau of Public Roads listed diversion of state highway funds in 1935 at \$147,142,000. Other obscure diversions swell the total to at least \$160,000,000. The diversion of road money, therefore, takes about 20 per cent of the motor revenues collected in two-thirds of the states.

In these states routine road maintenance must go on. Fixed charges must be paid. This leaves little for new construction.

Consequently, the motorist, who largely bears the road bill, continues to pay his road user taxes but he gets few additional driving facilities.

The thinking motorist is not exactly amused by this.

In the past few years, the federal

WILL INDUSTRY FIND ITS VOICE?



Flaming furnaces and smoking stacks have long spelt "industry" to the man in the street. But the real story of industry and business goes beyond those popular symbols.

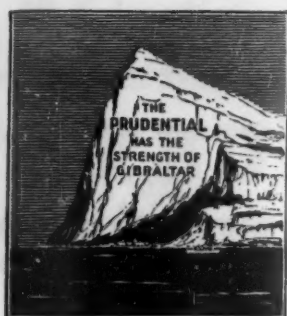
Industry can tell an amazing story of benefits provided for the common good. It can point with pride to the comforts and conveniences it has made available to everyone.

Because of its constructive and consistent efforts to bring about a better understanding of American business, its policies and principles, The Sun has been selected as a medium for the institutional advertising of a number of important and progressive concerns.

The example of these enterprising companies and their selection of The Sun is well worth following. Industry has found its medium. Will industry find its voice?

The  **Sun**
NEW YORK

Ewing Galloway



What
if your firm
lost Mr. Key?

If he is your active partner, or the equivalent
in your incorporated concern, you should in-
sure against the contingency of this heavy loss.

BUSINESS INSURANCE FOLDER
UPON REQUEST

THE PRUDENTIAL

INSURANCE COMPANY OF AMERICA

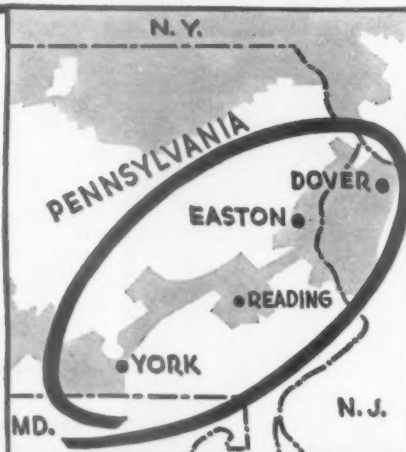
EDWARD D. DUFFIELD, PRESIDENT

HOME OFFICE: NEWARK, N. J.

Putting 15,000 Men to Work

DURING the five depression years from 1931 through 1935 more than 15,300 persons were put to work at new industrial jobs in Associated communities in Eastern Pennsylvania and Northwestern New Jersey.

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Government expanded its appropriations to the states for highway improvement. This, of course, minimized the troubles besetting those states that had diverted large sums from their own highway funds. However, observers declare that future federal road help will be extended only on the standard basis, whereby the states must match federal money dollar for dollar up to \$125,000,000.

With this arrangement soon to return, it is startling to discover that many states will have difficulty in matching federal funds. They must either correct such ills as diversion or forego the highway improvements the road users in those states are paying for and deserve.

Diversion has slowed down

THERE is some evidence to indicate that the cycle of diversion has passed its peak. Colorado, Missouri, Minnesota and Kansas have prohibited diversion by constitutional amendments and Maine voters recently approved an anti-diversion law. Road user groups and motor clubs plan to push similar measures elsewhere.

While diversion has been holding back the development of highway transportation, another trouble has been proceeding in its quiet way. That has to do with the splitting of state motor tax revenues between the states and counties, and sometimes cities and townships.

The mere fact that the revenues are split in some 40 states is not wrong in itself. But the lack of control over the spending of much of this money deprives the motorist of a larger share of the highway facilities for which his taxes are paid.

In 1935, about \$236,000,000 of motor revenues was allocated to counties, townships and cities, the bulk going to counties. This vast annual sum is more than 25 per cent of all revenues collected from motorists. Of this award to local governments, state supervision is applied to only \$88,000,000 and partial supervision to \$5,000,000. The balance, \$143,000,000 spent in some 26 states, is spent with no supervision by the state whatsoever!

Why should there be supervision? In the first place the state collects the money and, therefore, it is the state's duty to see how it is spent. Without state supervision and auditing there is no guarantee even that the money will be used for highway purposes. In many cases the allocations have been used for local poor houses, pension funds, hospitals and schools—all worthy institutions, but certainly not the burden of the motorist.

Again, state supervision assures

sound engineering, wise selection of projects and a unity of highway improvement. These are the proven results.

A few years ago some states were moved to take over large mileages of county roads. At the same time, local taxes for roads were removed and state road revenues were not increased, so these states had not only to maintain and improve the busy main state roads, but local roads as well, all out of the original state highway income.

The only way to do it is to spread state money thin. To extend improvements to county roads, states have had to build large mileages of low-type roads—which again eat large sums in repairs and reconstruction.

Spreading the money thin has likewise resulted in the building of state roads which are neither adequate nor safe. Main state roads, carrying upwards of two-thirds of all rural traffic, are generally the roads that bring in the major part of the motor tax earnings. To spread the money thin is to delay progress and to satisfy nobody.

This, then, is the picture:

Here on the one hand are wholly inadequate systems of roads and streets; here on the other hand, huge sums of money, contributed in small payments by motorists for improved roads which they are not getting.

What to do?

Plan for the traffic

THE answer is provided by what highway engineers call rational highway planning.

Find out where the traffic goes and then build for that traffic. Find the danger spots and pick out those that are most hazardous and affect the most people. Find out which roads pay their way through motor tax revenues and which are tax eaters. Ascertain how much rural folks and city folks pay. Discover how much road users can reasonably raise for highway service. Determine what roads they use and in what proportion. Assemble all the facts, and then determine how to divide the highway money to extend benefits equally and fairly to all classes.

Just what kind of a pipe dream is that? Let's see. Throughout the country four kinds of stock-taking surveys are under way:

1. Road use
2. Traffic
3. Financial or economic
4. Road condition

These are being made, or will be made, by some 40 states in cooperation with the U. S. Bureau of Public Roads. Every fact that has any bearing on highways will be uncovered,



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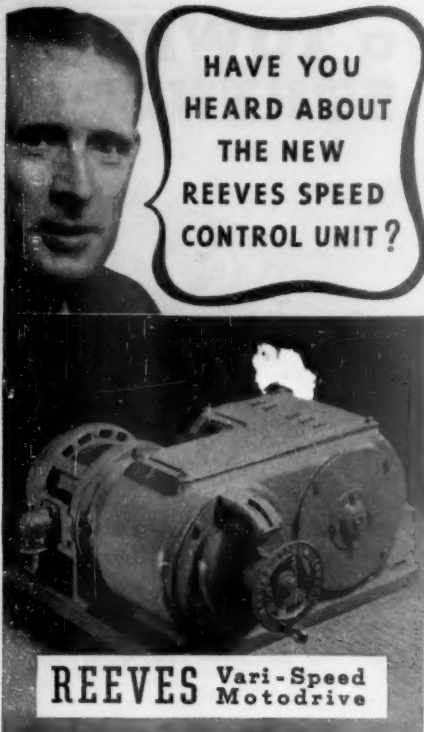
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studied, evaluated and worked into the final fabric of a rational highway plan for the state.

The benefits of such a businesslike method are obvious:

First: Rational highway planning will establish a long range program, free from whimsical tinkering by every legislature that meets.

Second: Rational planning will assure orderly development of all classes of highways. The most used main roads will first receive major attention. Secondary and feeder roads, sometimes called farm-to-market roads, and principal streets essential to movement of large volumes of traffic, all will receive a just share of improvement. Rational spending will bring countless farmers out of the mud.

Third: Motor tax revenues will be wisely collected and spent. Motor tax rates will be reasonable, within the ability to pay—and adequate. There will be no place in the picture for diversion and scattering of these funds. Only by eliminating present abuses can tax reduction be expected.

Fourth: Facilities so badly needed for safety, comfort, and economical travel will be built rapidly. The wise spending that is the basis of planning assures top value for the road dollar.

Fifth: Employment for the millions of workers in the highway transportation industry will be stabilized in contrast to the situation today wherein countless workers do not know whether they will have a job tomorrow.

Rosy-hued plans. Will they work out? A good idea is presented by the records of two states.

For many years Illinois in general has followed sound economic practices which approximate the principles of rational highway planning. The most used roads were paved generally in the order of their importance. A long mileage of pavement forms a skeleton throughout the state; you can get to any nook or corner and at no time will you be more than a few miles from a good hard road. All money allocated to county roads has been closely supervised by the state.

The other state, of comparable size and road mileage—and collecting \$11,000,000 a year more in road user taxes—has made little effort to proceed on a businesslike basis. Road construction programs and disbursement of motor revenues have been entirely at odds with sound planning. Now look at the results.

In Illinois, nearly all of the 10,000 miles of state roads are hard surfaced. In the other state, only a little more than a third of the main roads are classed as high type. The balance is of intermediate and low types.

In the six-year period ending with 1934, Illinois spent 88 per cent of her highway disbursements for new construction—new roads and facilities. For the same purpose the other state spent only 60 per cent.

In the same period, Illinois spent only 11 per cent of her highway mon-

ey for surface maintenance of the state roads. The other state more than three times as much.

Because of this high maintenance charge, because of diversion, and because of spreading funds among the political subdivisions, there is considerable doubt as to whether this other state can match its Federal Aid road allotment.

In essence, Illinois has demonstrated that rational highway planning is practical, that it gets the roads demanded by traffic.

Cooperation will be needed

MOST of the states are fast completing the surveys that provide the basic facts for rational highway planning. Next the data will be studied and shaped into a recommended long range highway plan. And then comes the real job for all those interested in highways, from the motor car manufacturer and fuel producer to the truck operator, private motorist, and the man with the shovel. State laws that make this plan effective will be needed. In most states only one thing will get these laws—public demand.

And that is where business men can play an important part.

Now as never before, there is need for a voice and leadership.

A full measure of leadership naturally, then, rests not only with the motorist organizations and clubs but with the automotive and fuel industries, as well as other industries whose welfare, like that of the road user, depends upon good highways. Behind the business of manufacturing and selling, there is the responsibility of providing for safe and proper use of motor vehicles. These industries can present a solid front to assist and speak for the mass of road users who, because of their vast numbers, must remain only to a limited extent organized and articulate.

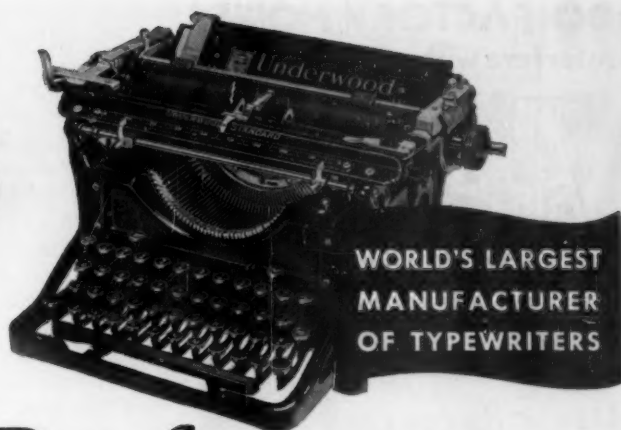
Once a sound plan is proposed, laws making the highway program effective must be staunchly supported, and the battle should be carried on until the bill has been signed, sealed and delivered to the public.

Phineas Colcord Fluent had courage. He drove his car through hell and high water because it was the only way he could make his sales territory pay. There were no roads worthy of the name and they were not marked. There were no garages. He had no self-starter. He didn't even have a top. Despite all the progress, he thinks there are too many accidents. He thinks more and better use can be made of the car. But what can one man do? Or 26,000,000 unless they have aggressive leadership and are armed with facts?

6 POINTS

of

Super Performance



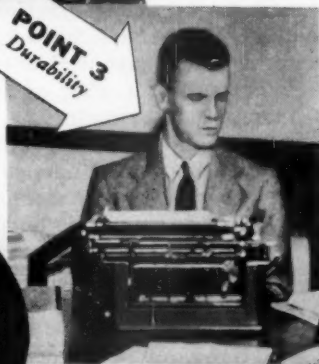
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Earthquake in Washington

(Continued from page 22)

ject almost as soon as he went into office in 1921. He delegated Walter F. Brown, of Ohio (later Postmaster General under Mr. Hoover), to prepare a plan of reorganization. Mr. Brown did this, but apparently he did it too well.

Mr. Brown's proposals were hailed as revolutionary. Among others he recommended consolidation of the War and Navy Departments into a Department of National Defense, a suggestion which, as much as anything else, led to the defeat of the plan. Powerful interests rose to explain why this could not be done, a political snarl ensued and the program failed.

Both Mr. Coolidge and Mr. Hoover made minor corrections in the existing set-up but neither had proposals for general reorganization. Early in his administration, Mr. Roosevelt asked for and received from Congress authority to make the changes and transfers necessary to stop overlapping and waste. He made some transfers, but not many, and, while the battle for the restoration of business went on, the authority lapsed.

Those who have studied the problem carefully believe the reorganization will come in two general steps:

First, a paper reorganization, or regrouping of existing agencies, linking together those that deal with the same broad subjects, such as banking, housing and agriculture.

Second, a genuine reconstruction of all the departments and agencies on a framework developed through reconsideration of their basic purposes in the light of modern requirements.

Part will be easy

THE first probably will be easy to achieve, chiefly because no reasonable defense can be entered for so flagrant a dissipation of energy—a dozen different agencies dealing with housing or housing finance, almost an equal number dealing with agriculture and the improvement of rural life, and still almost as many having to do with banks and other financial institutions.

The obvious consolidations, if reorganization ended there, would bring economy and simplification of vast importance, including the reduction of much personnel—agency administrators whose names the President must have difficulty in remembering, legal staffs who justify themselves by making mountains out of molehills, publicity crews that flood the news-

papers with "handouts," research organizations and accountancy corps adding figures up, down and sidewise for no apparent reason.

The second step, the reconstruction of the departments and agencies to meet modern needs, and the elimination of useless activities, probably cannot be taken without ponderous study (as if the problem were new) and prolonged debate (also as if the problem were new). Much of the system is 150 years old and is steeped with tradition and custom. Those whose jobs are at stake, pastmasters in the art of confusing the issue, are ready to leap to the defense of the system, anywhere, any time. Their organized strength among certain elements of the voting population should not be underestimated. Here is the danger of the defeat of the proposals for sound reorganization of the executive branch of the Government.

Congressional support

BUT Mr. Roosevelt is not without support for certain phases of the program either in the Senate or the House. In anticipation of the struggle, Harry F. Byrd, the junior Senator from Virginia, who has fought the White House on various issues, recently obtained the adoption of a Senate resolution of his own authorship creating a special Senate committee more or less permanent in character.

The committee, with broad powers to study all the activities of the executive branch of the Government, is directed to make, not only to the next Congress but to succeeding Congresses, recommendations for coordinating or abolishing overlapping or needless agencies.

Senator Byrd brings to the committee vivid experience with the difficulties of proposed governmental reorganization. During two terms as Governor he reorganized the Virginia State Government, welding a hundred independent boards and bureaus into 12 departments and a substantial saving in taxes.

"Today the postage bill of the executive branch in Washington," says Senator Byrd, "is twice the Virginia general budget and four times that of four years ago. This simple item shows the colossal growth of federal activities. We have the most complex and costly bureaucracy of all times. We have pyramided agency upon agency for nearly 150 years.

"Retrenchment is always unpopu-

lar, efficiency always exacting. The economical way is the hard way. But there are times Governments, as individuals, must do these things if we continue an even course. Such a time is upon us.

"Twenty boards or bureaus Congress established to meet the emergency expire in 1937. To regroup them in permanent branches means continuance perhaps for all time.

"Washington is a jungle with 50 federal agency legal divisions, 24 agencies lending government funds, three insuring deposits and loans, 34 acquiring land, 16 preserving wild life, ten dealing with Government construction, nine with credit and finance and ten with construction materials. They are sprawled from Alexandria, Va., to Baltimore, Md.

"The Resettlement Administration has 13 Washington addresses. In Washington there are 46 personnel offices, 104 information and publications offices, 126 agency libraries, 51 traffic managers.

"More new jobs have been created since 1933 than during the first century of the nation. In 1916 the Government cost a billion a year. Now it costs eight times that amount."

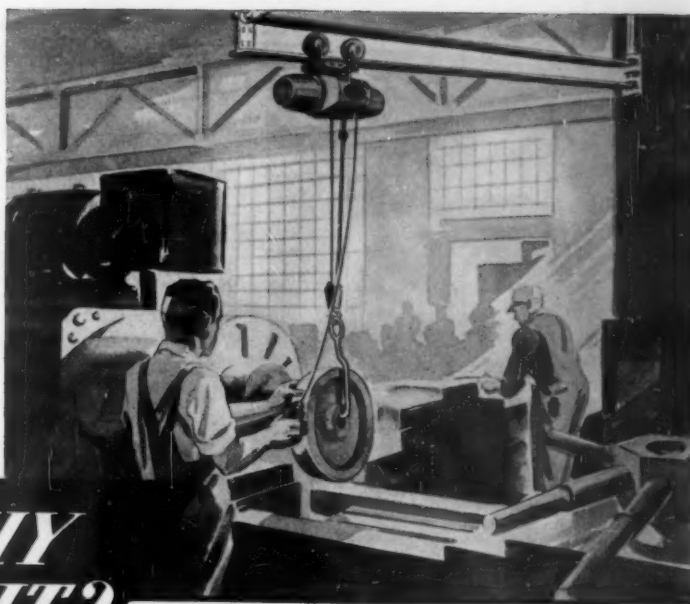
The primary savings for the taxpayers will come through reduction of government personnel. The extent of this reduction is not apparent yet and may not be until the disposition of the various agencies is determined. The increase in personnel under Mr. Roosevelt, however, may be a key to the possibilities.

More government employees

ON assuming office in March, 1933, Mr. Roosevelt found, roughly, 565,000 civil officers and employees in the executive branch of the Government, exclusive of the military establishments. In less than four years the number climbed to 825,000. Of the 260,000 thus added to the rolls, about 195,000 went into the new agencies and the rest into the departments and agencies existing when he took office. So the field is fertile for wholesale separations.

But, to whatever extent the separations may go, a sharp issue will develop over the Government's attitude toward existing personnel. Many who went into Government work because they found nothing in industry will step back to private life. Others, less resourceful, will fight to continue their Treasury checks. Political pressure may be expected on every front together with a determined agitation for "civil service reform."

This agitation for civil service reform, like many other crusades, has its drawbacks. Many of its proponents believe sincerely that efficiency



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in administration would be enhanced by extending the system to many positions which now are appointive; but others back the movement for advantage to themselves.

In the tremendous expansion of the past few years, hundreds of government employees who already were in the civil service climbed to positions and salaries of which previously they did not dare even to dream. The opportunity was somewhat akin to that which elevated the rank of regular Army and Navy officers during the war.

Lobby of civil servants

NATURALLY, the employees so elevated, now facing probable reduction, are doing what they can to keep their status and salaries. That, in part, is what is behind the current demand for a "career service" in the Government, a subject about which the air is filled with propaganda. Those who seek to profit thereby want the civil service extended to all but a few jobs in the upper salary brackets, to all but those that are "policy forming."

The extremists would let the President select his Cabinet and the heads of independent agencies, but nobody else. Their arguments are pitched on a high plane and cite the success of the "career system" of the United States diplomatic service and the civil service in England.

But this so-called reform is not expected to get far. Patronage is the lifeblood of any political party. Campaigns need organization as well as issues and organizers do not spend time and money merely to see their heroes win. The distribution of jobs to those who help the cause along provides incentive for so doing, insures a sympathetic handling of administration policies and guarantees a fresh

angle of view in the general attitude toward public business. To think otherwise is to be naïve.

The success of the career system in the diplomatic corps is in the common appreciation that politics stops at the water's edge, that broad international policies must not be upset by change in parties at Washington. The English civil service functions satisfactorily because the English political system differs from ours.

Practical Republicans as well as practical Democrats understand this; if Congress does anything about the civil service it probably will be to liberalize the law rather than to tighten or extend it.

For there are frailties in the present system, even though it probably is the only satisfactory method of dealing with employees of the rank and file. In its overwhelming purpose to protect the jobs of those under its wing, it lacks flexibility, makes almost impossible the clearing away of deadwood.

Some time ago the Government undertook a public building program expected to meet requirements for many years. Already there has been an overflow to an extent where just short of 3,000,000 square feet (2,821,786 exactly) of the 87,000,000 total required has to be rented from private landlords in Washington and other cities. Apartments and private homes in Washington have been hired to house certain agencies. Recently the facilities became exhausted and a unit of the Social Security Board obtained quarters in Baltimore. With curtailment of activities, of course, this will be corrected.

And so again the perennial problem of reorganizing the executive branch of the Government becomes a national issue of the first order.

Trial by Commission

(Continued from page 31)

and unsatisfactory decisions of the regular courts have been such that there is a constant tendency to withdraw such cases on both the law and the facts from the jurisdiction of the courts.

That might be put into lay language something in this style:

"Take it and like it. There is nothing you can do about it."

The field covered by the 73 agencies is practically that of all commercial activity in the United States. I say "practically" because in fact another area for intrusion is discovered now and then and another agency added.

A much abbreviated list of the

interests included shows, among other things, that the 73 rule, with authority running from the absolute to the limited, agriculture, archives, slums, banks, bituminous coal, old age pensions and unemployment insurance, power and light, credit unions, alcohol in its various manifestations, air, rail, water and highway transportation, telephones, telegraphs, mail and radio, various saving, lending and insurance organizations, prison industries, labor relations, oil, islands—the list is too long to be quoted further. The committee of the American Bar Association called attention to several of the faults of this system. Of the federal

policy of licensing legitimate business it said vigorously:

To subject a business to a license system is to subject each individual engaged in that business to temporary or permanent loss of the right to continue in that business as a punishment for the violation of the law or a regulation. There is no more drastic kind of punishment and there is no system more susceptible to abuse and bureaucratic tyranny.

Do not blame it all on the bureaucrats. The Committee on Administrative Law of the Federal Bar Association in a report approved December 22, 1936, by that Association, made up of lawyers in the Federal service, admitted there were defects in the administrative machinery of Government and agreed with Col. McGuire's Committee of the American Bar Association that they ought to be remedied. Said the Federal Bar Committee of Government lawyers:

"It is further recommended that your Committee cooperate with the Special Committee on Administrative Law of the American Bar Association in its attempt to draft a new bill which will more satisfactorily and completely accomplish the removal of defects in the present system of administration."

It is to be hoped that at this point the reader is seething with indignation. If he has taken a moment for consideration he will realize that this plan of government by commission has impaired the plan set up in the Constitution. That document divided the powers of government into three—legislative, executive and judicial—and provided that each of the three should be a check on the other two. The commissions, under prevailing law and practice, are in many instances able to legislate for themselves, administer and regulate the affairs of the industries they control, and finally to sit as a court and pass judgment on their own acts.

Oh, I am a cook and the captain bold
And the mate of the Nancy brig.

It is further to be hoped that the reader will continue to seethe. But his attention will be directed to the fact that it is not the system of commission government but the faults of the system that are under attack. The system itself is here to stay. It appears to be the only means by which so complicated a country as ours can be managed. There is no point in attacking the system because it has grown so great, because its growth has been due to the growth of the country. The first move in this direction was made in Washington's time. Each succeeding administration has made other moves as necessity has arisen. Each move is followed by expansion.

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were in such a mess that the Interstate Commerce Commission was created. Its rulings and policies have often been under attack, but few will question that conditions forced some authority over the roads. The fact remains that the I.C.C., which began as a modest little bureau, has outgrown its basket. It is today of more actual importance than some of the ten official departments of government. The other agencies have had the same cause for existence and are following at differing speeds the same order of growth.

This has been inevitable. It is obviously impossible for Congress to sit as a control body over our industries. If the executive had been given authority to create control bodies at discretion and appoint and pay their members, the executive would have promptly become a dictator. A broad road would have been opened to revolution. The existing system is a compromise by which Congress has written the basic laws for governing industry through a series of agencies. The members are usually named by the executive, by and with the consent of Congress. Because Congress cannot be expected to know in advance what problems will arise, the agencies are given authority to make rules as they go along.

Final decision on facts

AS a practical matter of administration they have, for the most part, been made supreme in the judgment of fact. If every ruling of the 73 agencies were to be opposed by the citizens who felt themselves aggrieved, the courts would be more hideously cluttered up than they are now. The testimony of expert witnesses would be demanded in perhaps a majority of these cases and in time it is inevitable that a huge structure of expert courts would be erected. A judge might know the tax law by heart and not a syllable of radio law. It is apparent that the administration processes of the Government could not wait for two or three years while these cases worked their slow way through the courts, beset by reversals and rehearings and appeals. An illustration of the necessity for this administrative freedom may be given. A careful anonymity will be preserved.

A city desired to make its river front a place of beauty instead of a tin can dump. As the river was navigable, the Secretary of War had the authority to grant or withhold permission for the desired improvements. A large oil company asked the privilege of building tanks on the bank for storage purposes. The Secretary of War ruled that the tanks

would be an obstruction to navigation and refused the request. The company went into court to compel the Secretary to grant what it alleged to be its rights. Three facts are immediately evident:

Tanks on the bank would not obstruct navigation.

They would destroy the beauty of the land-and-waterscape.

If the case were to be contested on its merits—or on the facts—it might have been prolonged indefinitely through the summoning of experts and the hearing of interested witnesses.

But, under the existing practice as sanctioned by a lower court and the Supreme Court, an agreement was, in effect, reached between the contending parties as to the facts. The question before the court was merely whether the Secretary of War had the right to refuse his consent to the building of the riverside tanks. The courts held that he had that right and the tanks were not constructed. It is possible that what are ordinarily considered the rights of the citizen were invaded by this ruling, but it is also obvious that, by closing an eye to facts, a tedious and impractical wait in court was avoided. When it is considered that the dockets of the 73 agencies are loaded with thousands of as yet untried cases, one concludes that this has been the only way in which the work could be done.

If this proves to be the case it would be most depressing, for it would at least open the door to a dictatorship in the United States. It might be a dictatorship on the American plan, good-natured, full of give and take, and destitute of concentration camps and rifles. Nevertheless it would be a dictatorship.

In making this statement I have not the remotest idea of suggesting that the present Administration would knowingly offend in this way, any more than that any one of the

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various Administrations since Washington's time had any thought of making by their acts a future dictatorship possible. But one must be realistic.

An Administration in control of Congress could easily obtain the enactment of laws which would give the executive complete authority to dismiss stubborn government officials and employees or to cut their salaries. Even under existing conditions, the Administration—any administration—may be reasonably sure that its wishes will be considered binding on such officers and employees. The practice of politics is merely human nature in the shadow. If these individuals are to continue to be sole judges of fact in cases that come before them, an Administration which wishes to take the responsibility could do what it wished for and against its friends and enemies.

No matter how unjust the agency's ruling might be, it would stand impregnable if the forms of law were preserved and had some supporting facts, in any controversy with the United States where the citizens could not raise a constitutional issue.

The committee of the American Bar Association believes it has discovered the antidote for the poison which this situation holds. It would create by law an administrative court.

The precise nature of this court, if established, would be defined by Congress, but the essential feature is that it would pass upon the facts as well as the law in contests appealed from the agencies. The usual rights of appeal would be preserved, but a citizen in conflict with his government need no longer fear that he would be denied a rehearing on facts.

The members of the committee are Col. O. R. McGuire, chairman; Monte Appel; Ralph M. Hoyt; Julius C. Smith and Kenneth C. Sears. The

American Bar Association has had the committee suggestion under consideration three times. The first time no action was taken, in order that it might be studied. Twice later a resolution approving the proposed action in principle was adopted. Justice Harlan F. Stone, of the Supreme Court of the United States, wrote in August, 1936:

No one can now seriously doubt the possibility of establishing an administrative system which can be made to satisfy and harmonize the requirements of due process and the common-law ideal of the supremacy of law, on the one hand, and the demand, on the other, that government be afforded a needed means to function, free from the necessity of strict conformity to the traditional procedure of the courts.

The proposition to establish an administrative court will come before Congress as soon as a bill can be prepared and approved by the American Bar Association and, it is hoped, by the Federal Bar Association. The Congress of American Industry is on record as approving the establishment of such a court. No one may safely say what will happen next. It is possible that some of the quaint facts of today may be permanently relegated to whatever museum there may be which displays the oddities of the law. There is, for instance, in Cincinnati a man who was found not guilty by the state courts on a statement of facts, but who at last accounts was being pursued by four federal agencies on the same facts. There is also the case of a druggist who might be liable for infractions of bureaucratic rules before four bureaus. If he were to be found guilty by each of the four of violating by the same and solitary act the rules of the four he might be punished by each of the four—

Or might he be?

My understanding is that at present no one really knows.

Nine Men and Labor Relations

(Continued from page 36)

commerce. They maintain that a labor dispute which shut down such plants would tend to obstruct that flow, and so federal measures to prevent "unfair labor practices" are a valid, if rather indirect, exercise of congressional power to regulate commerce among the states.

An argument along somewhat similar lines was used, without success, in defense of the National Recovery Administration.

The Constitution limits the powers of Congress over commerce to commerce among the states, with foreign nations and with the Indian

tribes. But even in the interstate commerce field, Congress is subject to certain restrictions, one of which is contained in the Fifth Amendment. This amendment provides that no person shall be deprived of "life, liberty or property without due process of law."

Now "due process of law" is certainly another topic which no mere layman can discuss from a technical viewpoint because it means different things to different people. But the "due process of law" clauses in the Constitution have been used, in the past, by both liberal and conservative members of the Supreme Court

to curb unwarranted and unreasonable infringements on traditional individual liberties by state legislatures as well as by Congress.

"Freedom of contract" is one of these traditional liberties; not specifically mentioned in the Constitution but a well established part of the doctrine of "due process."

Opponents of the National Labor Relations Act say it violates the Fifth Amendment because it interferes with the "freedom of contract" of both employer and employee.

Restricted bargaining

WHILE this argument has been presented differently in different cases, its general theme is that the collective bargaining provisions of the law do not protect the bargaining rights of minority groups or individual workers who do not choose to be represented by agents selected by the majority of employees in a collective bargaining "unit" prescribed by the National Labor Relations Board. It is, in essence, the old question of whether majority rule can be allowed to become monopoly rule.

Likewise, it is contended that the employer's rights are infringed by these same provisions. They prevent him, in certain circumstances, from entering into individual contracts with workers or minority groups.

There is also a special clause in the law which makes it an "unfair labor practice" for an employer "To refuse to bargain collectively with the representatives of his employees. . . ."

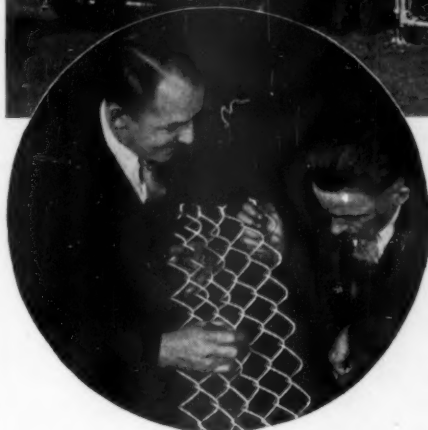
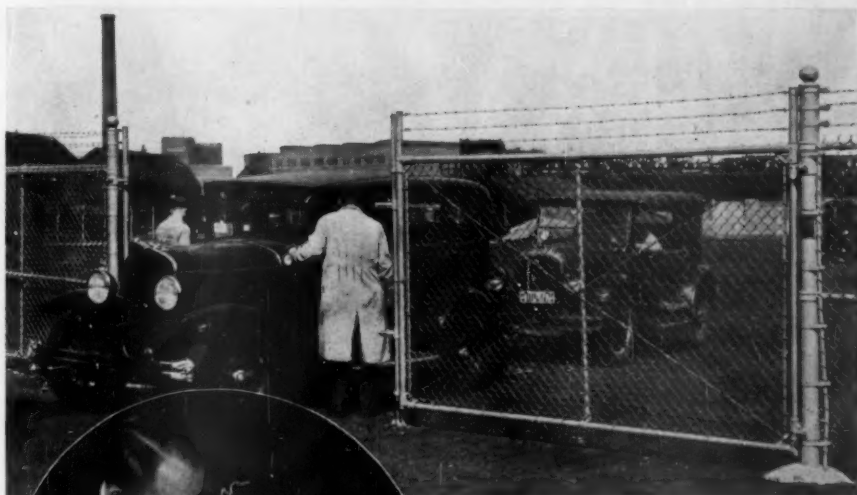
This particular section raises all sorts of questions, legal and practical. What constitutes a refusal to bargain? Is compulsory bargaining really bargaining at all? How much "freedom of contract" does an employer have under such a statute?

Unless it throws out the Labor Relations Act on some other grounds and never reaches the "due process" arguments at all, the Supreme Court may examine and answer at least a few of these questions before many more weeks have passed.

There are other arguments, of course, on both sides of these labor law cases. Lawyers for the Associated Press and the clothing manufacturer claim that freedom of speech is imperiled by the act, for example. But it now seems likely that the fate of this measure will be largely determined by the Supreme Court's interpretation of the commerce clause and the "due process" amendment.

Much will depend, however, upon the exact scope of the Court's decision when, as and if it is delivered. It may or may not leave the door open for "substitute" legislation in case the final verdict is unfavorable.

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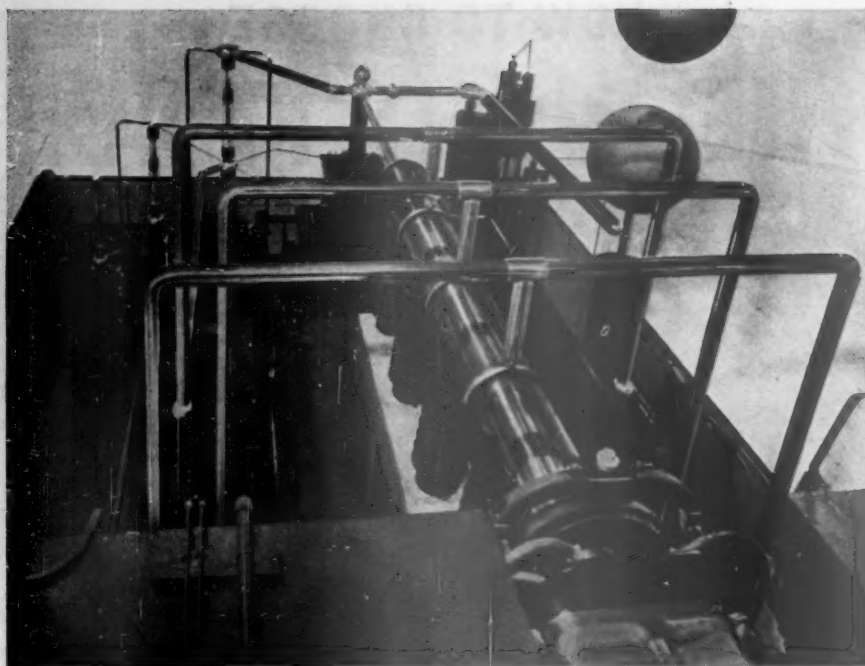
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